



**PROVINCE OF
NEWFOUNDLAND AND LABRADOR**

**FINANCIAL STATEMENTS OF
CROWN CORPORATIONS,
BOARDS AND AUTHORITIES
(A — M)**

**FOR THE YEAR ENDED
31 MARCH 2006**


**Newfoundland
Labrador**





Province of Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities (A - M)

**For The Year Ended
31 March 2006**



INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities is a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books, A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. The Financial Statements of Crown Corporations, Boards and Authorities was represented by Volume IV of the Public Accounts in previous years.

Information on the financial position and results of operations of the Province for the 2005-06 fiscal year may be found in the following financial reports:

Public Accounts Volume I - Consolidated Summary Financial Statements

This Volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

Public Accounts Volume II - Consolidated Revenue Fund Financial Statements

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

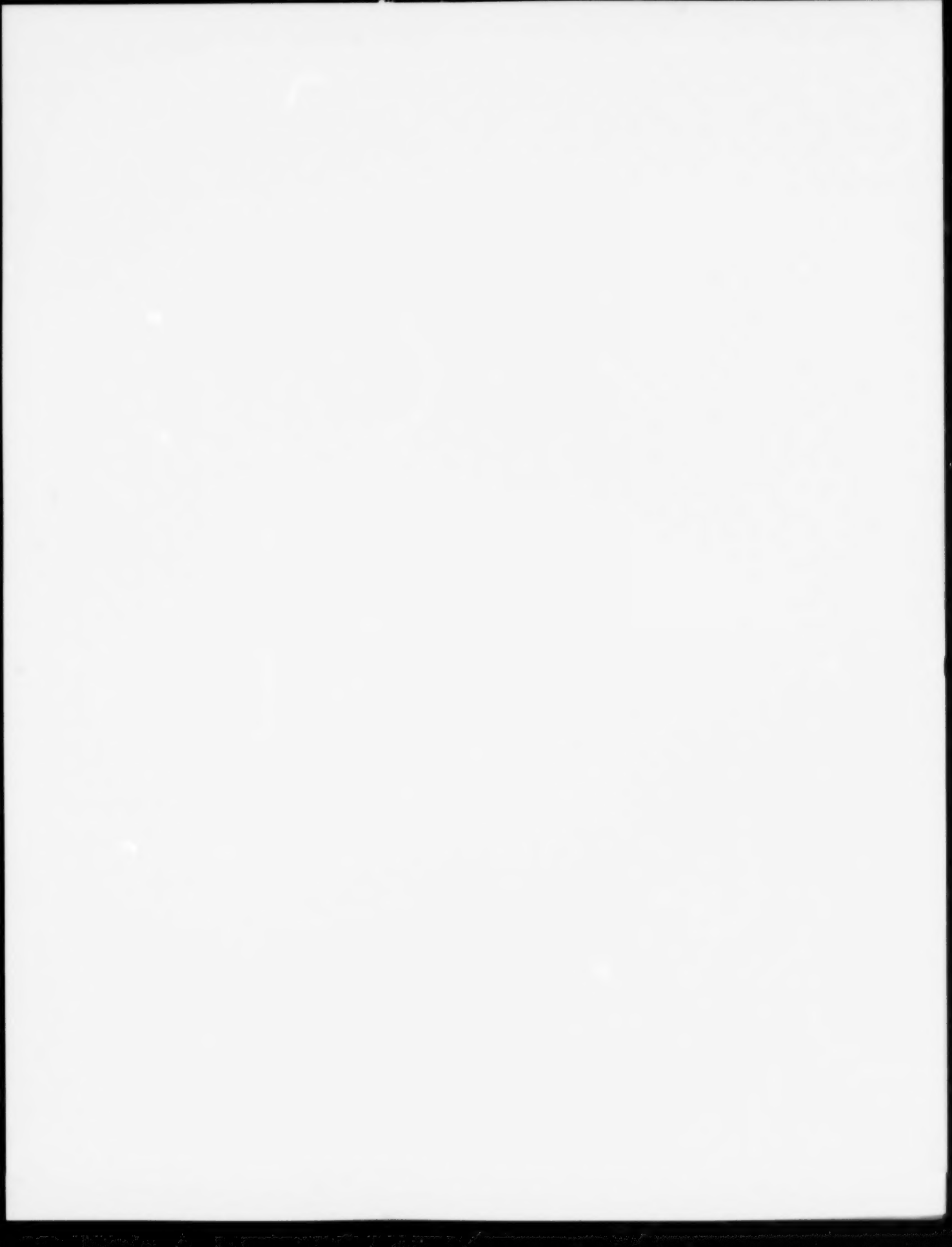
The Financial Statements of Crown Corporations, Boards and Agencies is also available on the Government's website at: www.fin.gov.nl.ca/comptrollergeneral/publications.htm.

Table of Contents

Name	Year	Page
Avalon East School District	2004	1
Board of Commissioners of Public Utilities	2006	31
Bull Arm Site Corporation	2005	41
	2006	49
Business Investment Corporation	2006	57
Central Regional Health Authority	2006	69
College of the North Atlantic	2006	95
Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador	2005	121
Consumer Protection Fund For Prepaid Funeral Services	2006	149
Credit Union Deposit Guarantee Corporation	2005	157
Director of Support Enforcement	2006	167
Discovery Health Care Foundation Inc.	2006	175
Dr. H. Bliss Murphy Cancer Care Foundation	2006	183
Eastern Regional Health Authority	2006	195
Eastern Regional Integrated Health Authority-Blue Crest Cottages	2006	221
Eastern Regional Integrated Health Authority-Golden Heights Manor Cottages	2006	231
Eastern School District	2005	241
Embalmers and Funeral Directors Board of Newfoundland and Labrador	2005	271
General Hospital Hostel Association	2006	279
Grenfell Foundation Inc.	2005	291
Health Care Foundation of St. John's Inc.	2005	299
	2006	311
Heritage Foundation of Newfoundland and Labrador	2006	321
Janeway Children's Hospital Foundation	2006	331
Labrador-Grenfell Regional Health Authority	2006	343
Labrador School Board	2005	365
Labrador Transportation Initiative Fund	2006	387
Lions Manor Inc.	2006	395
Livestock Owners Compensation Board	2006	405
Marble Mountain Development Corporation	2006	411
Marble Mountain Management Corporation	2006	433
Memorial University of Newfoundland	2006	441
Memorial University of Newfoundland Pension Plan	2006	459
Multi-Materials Stewardship Board	2006	473
Municipal Assessment Agency Inc.	2006	485

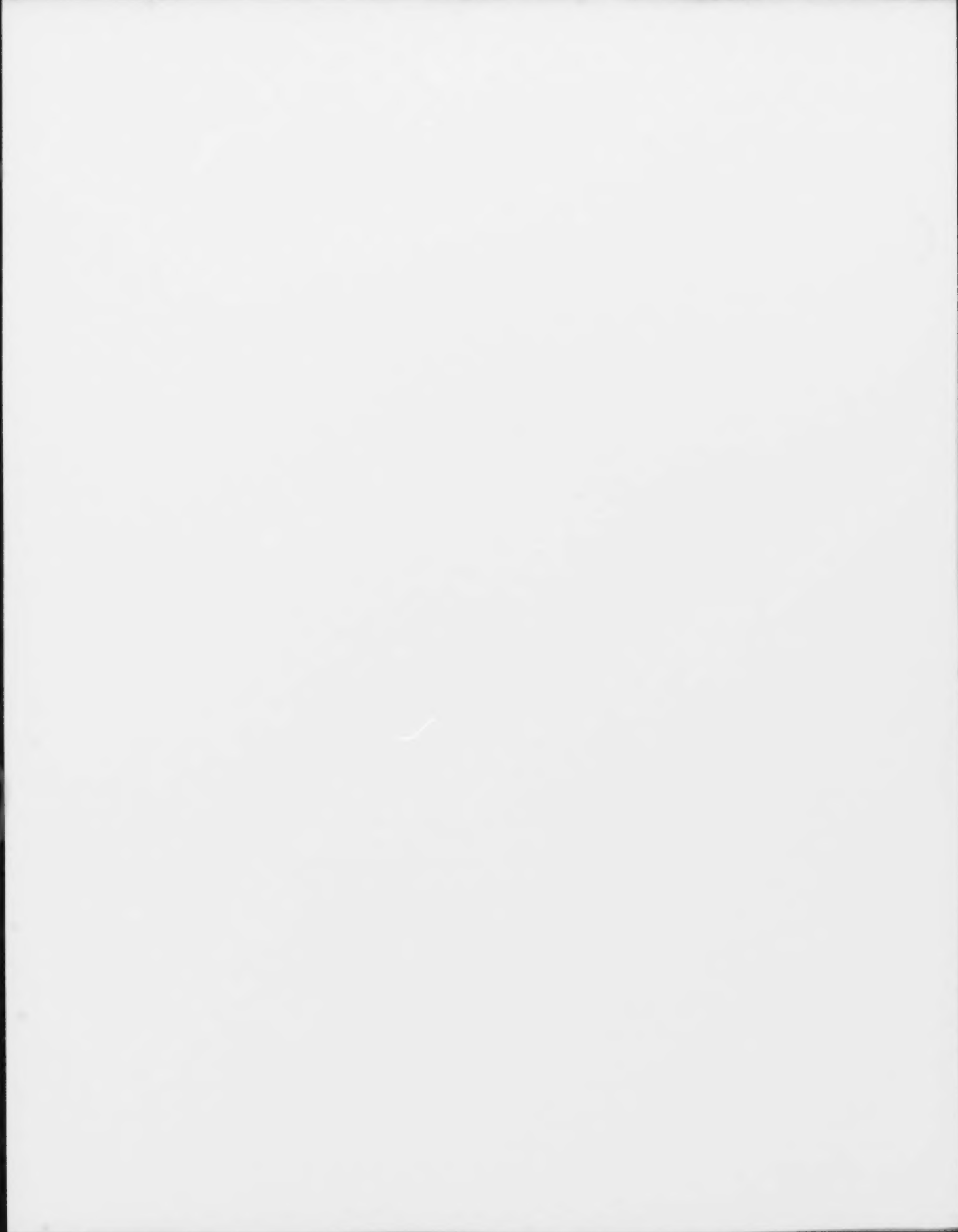
Table of Contents (continued)

Newfoundland and Labrador Arts Council	2006	495
Newfoundland and Labrador Centre For Health Information	2006	503
Newfoundland and Labrador Crop Insurance Agency	2006	513
Newfoundland and Labrador Film Development Corporation	2006	519
Newfoundland and Labrador Government Sinking Fund	2005	533
	2006	545
Newfoundland and Labrador Housing Corporation	2006	557
Newfoundland and Labrador Hydro	2005	575
Newfoundland and Labrador Immigrant Investor Fund Limited	2006	595
Newfoundland and Labrador Industrial Development Corporation	2006	603
Newfoundland and Labrador Liquor Corporation	2006	613
Newfoundland and Labrador Municipal Financing Corporation	2006	625
Newfoundland and Labrador Student Investment and Opportunity Corporation	2006	637
Newfoundland Hardwoods Limited	2006	643
Newfoundland Ocean Enterprises Limited	2006	649
Newvest Realty Corporation	2005	657
Northwest Rotary-Janeway Hostel Corporation	2006	669
Nova Central School District	2005	679
Office of the High Sheriff of Newfoundland and Labrador	2006	709
Private Training Corporation	2005	715
Province of Newfoundland and Labrador Pooled Pension Fund	2005	721
Provincial Advisory Council on the Status of Women	2006	745
Provincial Information and Library Resources Board	2006	753
Public Accountants Licensing Board	2005	767
Public Health Laboratory	2006	773
Registrar of the Supreme Court	2006	779
Special Celebrations Corporation of Newfoundland and Labrador, Inc.	2006	789
Student Loan Corporation of Newfoundland and Labrador	2006	797
TCRHB Housing Complex Inc.	2006	807
The Burin Peninsula Health Care Foundation Inc.	2006	815
The Office of the Commissioner of Petroleum Products Pricing	2004	823
The Rooms Corporation of Newfoundland and Labrador	2006	839
Trinity-Conception-Placentia Health Foundation Inc.	2006	851
Waterford Foundation Inc.	2006	859
Western Regional Integrated Health Authority	2006	869
Western School District	2005	883
Workplace Health, Safety and Compensation Commission	2005	911



The financial statements of the following agencies were not received in time for inclusion in this report:

Name	Year
Breast Screening Program for Newfoundland and Labrador	2006
C.A. Pippy Park Commission	2006
Grenfell Foundation Inc.	2006
Newfoundland and Labrador Farm Products	2006
Newfoundland and Labrador Legal Aid Commission	2005
	2006
Newfoundland Government Fund	2004
	2005



AVALON EAST SCHOOL DISTRICT
REPORT AND FINANCIAL STATEMENTS

August 31, 2004

AUDITORS' REPORT

To the Trustees of the
Avalon East School District.

We have audited the balance sheet of the Avalon East School District as at August 31, 2004 and the statements of current revenue, expenditures and district deficiency, cash flows and changes in capital fund for the fourteen month period then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The accounting policy with respect to the District's capital assets is described in Note 1. Canadian generally accepted accounting principles require that not for profit organizations record all capital assets at cost and amortize them over their estimated useful lives. While the District has commenced amortization on certain capital assets, amortization has not been provided on buildings and building improvements. In this respect, these financial statements are not in accordance with Canadian generally accepted accounting principles. Furthermore, information concerning the costs and estimated useful lives of buildings and building improvements, as well as other capital asset additions prior to January 1, 1997, is not readily available. If the District's capital assets were recorded in accordance with Canadian generally accepted accounting principles, changes to the amounts reported for capital assets, investment in capital assets, expenditures and excess of expenditures over revenue would be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the balances of capital assets as described in the preceding paragraph, these financial statements present fairly the financial position of the District as at August 31, 2004 and the results of its operations and the changes in its cash flows and capital fund for the fourteen month period then ended, and are in accordance with the reporting requirements established for school districts in the Province of Newfoundland and Labrador by the Department of Education.

St. John's, Newfoundland and Labrador
July 21, 2005

Deloitte & Touche LLP

Chartered Accountants

**Avalon East School District
Balance Sheet**

As At August 31, 2004

2004

(Note 16)

2003

Assets

Current

Cash (supp. Info. 1)	\$ 718,552	\$ 1,871,893
Short-term investments (supp. Info. 2)	5,544	5,544
Accounts receivable (note 4)	3,576,028	4,093,723
Teachers' vacation pay (note 5)	-	17,275,268
Prepaid expenses (supp. info. 3)	<u>453,137</u>	<u>385,896</u>

4,753,261 23,632,324

Capital assets (schedule 7)	109,796,714	110,038,315
Deferred costs (note 12)	1,401,553	1,868,737
Long-term receivables	<u>1,107,000</u>	<u>-</u>

\$117,058,528 \$135,539,376

Liabilities

Current

Current maturities (schedule 8)	\$ 53,963	\$ 61,517
Teachers' vacation pay (note 5)	-	17,275,268
Current portion of obligation under capital lease (note 11)	610,426	416,290
Accounts payable and accrued liabilities (note 7)	<u>3,447,932</u>	<u>3,293,234</u>

4,112,321 21,046,309

Long-term debt (schedule 8)	-	64,658
Obligation under capital lease (note 11)	4,503,114	4,549,801
Teachers' severance pay benefits (note 3)	28,772,329	28,222,739
Other employee severance pay accrual	2,577,953	2,567,329
Other employee benefits (note 10)	<u>447,277</u>	<u>497,713</u>

40,412,994 56,948,549

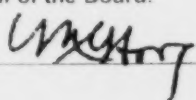
District Equity

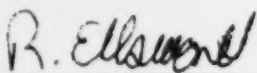
Investment in capital assets (note 9)	106,030,764	106,662,350
Reserve account (note 8)	-	-
District deficiency	<u>(29,385,230)</u>	<u>(28,071,523)</u>
	<u>76,645,534</u>	<u>78,590,827</u>

\$117,058,528 \$135,539,376

Contingent Liability (Note 16)

On Behalf of the Board:

 Chairperson

 Treasurer

See accompanying notes to financial statements.

Avalon East School District
Statement of Current Revenue, Expenditures and District Deficiency

For the Fourteen Months Ended August 31, 2004 (Note 16)
2003

Current Revenue (Schedule 1)

Provincial Government grants	\$199,943,988	\$168,093,505
Ancillary services	15,495	38,155
Miscellaneous	<u>1,197,848</u>	<u>3,418,523</u>
	<u>201,157,331</u>	<u>171,550,183</u>

Current Expenditures

Administration (Schedule 2)	3,416,203	2,488,835
Instruction (Schedule 3)	171,241,010	145,117,935
Operations and maintenance (Schedule 4)	17,547,887	15,900,520
Pupil transportation (Schedule 5)	8,621,533	6,739,633
Ancillary services (Schedule 6)	148,362	145,633
Interest (Schedule 8C)	268,293	73,007
Amortization of capital assets	939,222	279,653
Miscellaneous (Schedule 6)	<u>370,524</u>	<u>73,970</u>

	<u>202,553,034</u>	<u>170,819,186</u>
Excess of (expenditures over revenue) revenue over expenditures before undernoted items	(1,395,703)	730,997

Transfer from capital (Note 9)	<u>631,586</u>	<u>3,092,264</u>
---------------------------------------	----------------	------------------

Excess of (expenditures over revenue) revenue over expenditures before teachers' severance	(754,117)	3,823,261
---	-----------	-----------

Net change in teachers' severance liability (Note 3)	<u>(549,590)</u>	<u>(1,990,107)</u>
---	------------------	--------------------

Excess of (expenditures over revenue) revenue over expenditures	<u>\$(1,313,707)</u>	<u>\$ 1,833,154</u>
--	----------------------	---------------------

District deficiency, beginning of the year, as restated (Note 2)	\$(28,071,523)	\$(29,904,677)
---	----------------	----------------

Excess of (expenditures over revenue) revenue over expenditures	<u>(1,313,707)</u>	<u>1,833,154</u>
--	--------------------	------------------

District deficiency, end of the year	<u>\$(29,385,230)</u>	<u>\$(28,071,523)</u>
---	-----------------------	-----------------------

See accompanying notes to financial statements.

Avalon East School District
Statement of Cash Flows

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

OPERATING ACTIVITIES

**Excess of (expenditures over revenue)
revenue over expenditures**

\$ (1,313,707) \$ 1,833,154

Items not affecting cash:

Amortization of energy retrofit	945,019	797,858
Amortization of capital assets	939,222	279,653
Gain on sale of capital asset	-	(1,868,737)
Severance pay accrual	10,624	221,183
Teachers severance liability	549,590	1,990,107
Other employee benefits liability	(50,436)	(8,433)

Short term investments	-	104,304
Accounts receivable	517,695	(150,883)
Prepaid expenses	(67,241)	(25,557)
Accounts payable and accrued liabilities	<u>154,697</u>	<u>(1,475,614)</u>
	<u>1,685,463</u>	<u>1,697,035</u>

INVESTING ACTIVITIES

Capital expenditures	(1,175,456)	(1,397,750)
Change in investment in capital assets	(631,586)	(2,121,099)
Change in long-term receivable	(1,107,000)	-
	<u>(2,914,042)</u>	<u>(3,518,849)</u>

FINANCING ACTIVITIES

Proceeds from obligation under capital lease	762,144	5,000,000
Repayment of obligation under capital lease	(614,694)	(48,660)
Proceeds from short-term borrowings	-	-
Repayment of long-term debt	(72,212)	(57,091)
Repayment of short-term borrowings	<u>-</u>	<u>(1,247,665)</u>
	<u>75,238</u>	<u>3,646,584</u>

Change in cash resources	(1,153,341)	1,824,770
---------------------------------	--------------------	------------------

Cash, beginning of the year	<u>1,871,893</u>	<u>47,123</u>
------------------------------------	-------------------------	----------------------

Cash, end of the year	\$ <u>718,552</u>	\$ <u>1,871,893</u>
------------------------------	--------------------------	----------------------------

Supplementary cash flow information:

Interest paid	\$ <u>268,293</u>	\$ <u>58,256</u>
---------------	-------------------	------------------

See accompanying notes to financial statements.

**Avalon East School District
Statement of Changes in Capital Fund**

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

70 Capital receipts

71 Proceeds from bank loans

	\$	-	\$	-
011 School construction		-		-
012 Equipment		762,144		-
013 Service vehicles		-		-
014 Pupil transportation		-		-
015 Other		-		-
		<u>762,144</u>		<u>-</u>

72 EIC grants

011 School construction and equipment	-	956,414
012 Other	-	-
	-	<u>956,414</u>

73 Donations

011 Cash receipts	-	-
012 Non-cash receipts	-	-
013 Restricted use	-	-
	-	-

74 Sale of capital assets - proceeds

011 Land and 012 buildings	-	5,000,000
013 Equipment	-	-
014 Service vehicles	-	-
015 Pupil transportation vehicles	-	-
016 Other	-	-
	-	<u>5,000,000</u>

75 Other capital revenues

011 Interest on capital fund investments	-	-
012 Premiums on debentures	-	-
013 Recoveries of expenditures	1,731,812	1,077,655
015 Insurance proceeds	-	-
016 Native peoples grants	-	-
017 Miscellaneous	-	-
Gain on sale of capital assets	-	-
Department of Education technology grants	-	-
Cost sharing for technology grants	-	-
	<u>1,731,812</u>	<u>1,077,655</u>

78 Transfer to current fund

(631,586)	(3,092,264)
<u>\$ 1,862,370</u>	<u>\$ 3,941,805</u>

See accompanying notes to financial statements.

Avalon East School District
Statement of Changes in Capital Fund (Cont'd)

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

80 Capital disbursements

81 Additions to capital assets

011 Land and sites	\$ -	\$ -
012 Buildings	-	903,143
013 Furniture and equipment - School	1,024,279	324,127
014 Furniture and equipment - other	10,000	74,498
015 Service vehicles	-	-
016 Pupil transportation	-	-
017 Other	<u>141,177</u>	<u>170,481</u>
	<u>1,175,456</u>	<u>1,472,249</u>

82 Principal repayment of long-term debt

011 School construction	487,384	33,909
012 Equipment	199,530	57,091
013 Service vehicles	-	-
014 Energy Performance Contract	<u>-</u>	<u>-</u>
	<u>686,914</u>	<u>91,000</u>

83 Miscellaneous disbursements

013 Other	<u>-</u>	<u>2,378,556</u>
	<u>\$ 1,862,370</u>	<u>\$ 3,941,805</u>

See accompanying notes to financial statements.

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

Mission Statement

The Avalon East School District ("the District") exists to nurture the development of the personal and learning potential of each student to become an informed, caring, contributing member of society.

1. Significant Accounting Policies

Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education ("the Department"). The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

Capital Assets

Capital assets assumed by the District on January 1, 1997, as a result of legislation passed pursuant to the Schools Act and the Education Act, are recorded based on the audited financial statements of the predecessor entities. Additions to capital assets after January 1, 1997 are recorded at cost. Proceeds are credited to appropriate property accounts and gains or losses are not recorded. Amortization is recorded as follows:

Asset	Period	Rate
Buildings and improvement	Commencing with additions since July 1, 1999	4% declining balance
Energy retrofit	Commencing with additions since July 1, 1998	7 years straight line
Furniture and equipment	Commencing with additions since July 1, 1999	20% declining balance
Computer equipment	Commencing with additions since July 1, 1999	30% declining balance
Vehicles	Commencing with additions since July 1, 1999	30% declining balance

Additions to buildings and building improvements administered by the Government of Newfoundland and Labrador, Department of Works, Service and Transportation have not been reflected in these financial statements.

Teachers' and Student Assistants' Payroll

The Government of Newfoundland and Labrador processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the financial statements represent gross salaries for the year.

Pension Costs

All permanent employees of the District are covered by pension plans administered by the Government of Newfoundland and Labrador. Contributions to these plans are required from both the employee and the District. Post retirement obligations to employees are the responsibility of the Government of Newfoundland and Labrador and, as such, the employer contributions for pensions and other retirement benefits are recognized in the accounts on a current basis.

For the Fourteen Months Ended August 31, 2004

1. Significant Accounting Policies (Cont'd)

Other Severance Pay Accrual

The District records severance pay liability for employees other than teachers. Employees are entitled to one week of severance pay for each year of service to a maximum of twenty weeks once they reach 9 years of service with the District.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Prior Period Adjustments

Sale Lease/Back Contract

During 2003, the Board entered into a sale lease back contract with the Royal Bank of Canada whereby they sold equipment to the bank at a value of \$5,000,000 and leased it back. This transaction is capital in nature and therefore should be reflected in the Statement of Changes in Capital Fund and related transfer to capital account. Upon sale a gain should have been recognized of \$ 1,868,737. This gain should have been deferred and amortized over the life of the lease agreement. Further, the interest calculation on the lease was understated by \$14,751 in 2003. The effects of these adjustments on the Balance Sheet, Statement of Revenues Expenditures and Deficit and Changes in Capital Fund have been restated as follows:

	<u>2003</u>
Deferred costs, before restatement	\$ -
Gain on sale of capital assets	<u>1,868,737</u>
Deferred costs, as restated	<u>1,868,737</u>
Miscellaneous revenue, before restatement	\$ 1,549,786
Gain on sale of capital assets	<u>1,868,737</u>
Miscellaneous revenue, as restated	<u>\$ 3,418,523</u>
Current portion of obligation under capital lease, before restatement	\$ 586,879
Obligation under capital lease, before restatement	4,364,461
Interest on lease	<u>14,751</u>
	<u>\$ 4,966,091</u>
Current portion of obligation under capital lease, as restated	\$ 416,290
Obligation under capital lease, as restated	<u>4,549,801</u>
	<u>\$ 4,966,091</u>

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

2. Prior Period Adjustments (continued)

Interest, before restatement	\$ 58,256
Interest on lease	<u>14,751</u>
Interest, as restated	\$ <u>73,007</u>
Investment in capital assets, before restatement	\$109,192,794
Proceeds from long-term debt	(5,000,000)
Transfer to investment in capital assets	509,819
Gain on sale of capital assets	1,868,737
Principle payments of long-term debt	<u>91,000</u>
Investment in capital assets, as restated	<u>\$106,662,350</u>
District deficiency, before restatement	\$ (32,455,953)
Proceeds from long-term debt	5,000,000
Transfer to investment in capital assets	(509,819)
Interest on lease	(14,751)
Principle payments of long-term debt	<u>(91,000)</u>
District deficiency, as restated	<u>\$ (28,071,523)</u>
Transfer from capital, before restatement	\$ 561,820
Proceeds from long-term debt	5,000,000
Gain on sale of capital assets	(1,868,737)
Transfer to investment in capital assets	(509,819)
Principle payments of long-term debt	<u>(91,000)</u>
Transfer from capital, as restated	<u>\$ 3,092,264</u>

3. Teachers' Severance Pay Benefits

Pursuant to a directive issued by the Department during fiscal 1998, the District recorded severance pay for teachers in the District. The Schools Act specifies that salaries and other compensation for teachers are the responsibility of the Department. The District received written approval from the Minister of Education for the deficit arising from the Department's requirement for the teachers' severance.

The net change in the liability for the year ended is as follows:

		(Note 16)
	<u>2004</u>	<u>2003</u>
Balance, beginning of the year	\$ 28,222,739	\$ 26,232,632
Increase for the year	3,317,061	4,212,952
Severance payments	<u>(2,767,471)</u>	<u>(2,222,845)</u>
Balance, end of the year	<u>\$ 28,772,329</u>	<u>\$ 28,222,739</u>

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

4. Accounts Receivable

		(Note 16)
Current	2004	2003
11 131 Provincial Government	\$ 1,185,348	\$ 3,798,155
132 Transportation	141,010	124,565
133 Federal Government	236,256	90,686
140 Eastern School District	1,500,000	-
138 Interest	-	7,858
139 Travel advances and miscellaneous	513,414	66,105
Capital		
11 231 Provincial Govt -construction grants	-	6,354
235 Other	-	-
	<u>\$ 3,576,028</u>	<u>\$ 4,093,723</u>

5. Teachers' Vacation Pay

Pursuant to a directive issued by the Department during fiscal 2003, the District recorded the vacation pay liability for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Although the directive requested that a receivable from the Department for the liability not be recorded, the Schools Act specifies that salaries and other compensation for teachers are the responsibility of the Department. Accordingly, the District has recorded teachers' vacation pay receivable of \$17,275,268 at June 30, 2003. For the fourteen months ended August 31, 2004, no vacation pay liability or receivable has been reported as the amount was received and paid during July-August 2004.

6. Short-Term Borrowings

21 131 On operating credit	\$ -	\$ -
132 On capital account	-	-
	<u>\$ -</u>	<u>\$ -</u>

The District has an authorized operating demand loan of \$4,000,000, bearing interest at Royal Bank prime less 0.65% which was unused as at August 31, 2004. In accordance with the Schools Act 1997, the operating demand loan is supported by a letter of approval to borrow provided by the Minister of Education.

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

7. Accounts Payable and Accrued Liabilities

		(Note 16)
Current	2004	2003
21 111 Trade payables	\$ 770,052	\$ 1,564,595
112 Accrued liabilities	783,239	306,476
114 Wages	671,539	1,086,879
115 Payroll deductions	156,870	228,673
117 Deferred grants	1,066,232	106,611
Capital		
213 Accrued interest	-	-
	<u>\$ 3,447,932</u>	<u>\$ 3,293,234</u>

8. Reserve Account

		(Note 16)
	2004	2003
Balance, beginning of year	\$ -	\$ -
Less transfer from reserve	-	-
Add transfer to reserve	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

9. Investment in Capital Assets

	<u>2004</u>	(Note 16) <u>2003</u>
Investment in capital assets, beginning of the year	\$106,662,350	\$108,798,200
Add:		
Transfer of operating Funds from capital fund	(631,586)	(3,092,264)
Grants - contributions for capital construction	-	956,414
Proceeds from sale of capital assets	-	-
Gain on sale of capital assets	-	-
Recoveries of expenditures	-	-
Insurance proceeds - capital	-	-
Native peoples grants - capital	-	-
Miscellaneous	-	-
School contributions	-	-
	<u>106,030,764</u>	<u>106,662,350</u>
Deduct adjustments:		
Cost of assets sold	-	-
Other		
Government of Newfoundland and Labrador adjustments	-	-
Adjustment to carrying value of certain capital assets	-	-
	<u>-</u>	<u>-</u>
23 221 Investment in capital assets, end of the year	<u>\$106,030,764</u>	<u>\$106,662,350</u>

10. Other Employee Benefits

	<u>2004</u>	(Note 16) <u>2003</u>
Pension plan	\$ 378	\$ 2,624
Unused pre-1985 sick leave	<u>446,899</u>	<u>495,089</u>
	<u>\$ 447,277</u>	<u>\$ 497,713</u>

The District charges operations with the amount of benefits accruing to employees in each year.

The District has recorded the obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985.

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

11. Obligation Under Capital Leases

The District has entered into a capital lease with Royal Bank of Canada to finance its Energy Performance capital expenditures (EPC). The lease is for \$3,000,000 for 5 years with a purchase option of \$2,750,000 at the end of the term.

The District also entered into capital leases with the Royal Bank of Canada for various photocopy equipment. The leases total \$762,145 for 5 years with a purchase option of \$10 at the end of the term.

Future minimum payments under these capital leases is as follows for the year ending in:

	<u>EPC</u>	<u>Copiers</u>	<u>Total</u>
2005	514,100	176,311	690,411
2006	616,920	211,574	828,494
2007	616,920	211,574	828,494
2008	<u>565,510</u>	<u>92,613</u>	<u>658,123</u>
	2,313,450	692,072	3,005,522
Add: Purchase option price	2,750,000	-	2,750,000
Less: amount representing interest	<u>584,736</u>	<u>57,246</u>	<u>641,982</u>
	4,478,714	634,826	5,113,540
Less: current portion	<u>434,115</u>	<u>176,311</u>	<u>610,426</u>
	<u>\$ 4,044,599</u>	<u>\$ 458,515</u>	<u>\$ 4,503,114</u>

Interest has been imputed at a rate
of 4.20%

12. Deferred Costs

The District entered into a sale lease contract with the Royal Bank of Canada for their Energy Performance contract. A gain of \$1,868,737 was recorded upon sale of these assets. This gain is amortized over sixty months. During the year \$467,184 was recorded as amortization expense in the financial statements.

13. Lease Commitments

The District is committed under the terms of various operating leases to make payments in the next four years approximately as follows:

2005	\$	440,552
2006	\$	447,106
2007	\$	447,106
2008	\$	215,234

Avalon East School District
Notes to Financial Statements

For the Fourteen Months Ended August 31, 2004

14. Financial Instruments

The carrying value of the District's financial instruments, with the exception of long-term receivables, approximate fair values due to the short-term maturity and normal credit terms of those instruments. The long-term receivables balance does not approximate fair value as it is non-interest bearing.

15. Insurance Subsidy

The cost of insuring school properties is borne by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

16. Contingent Liability

Site restoration and remediation costs associated with school properties under the District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable.

17. Comparative Figures

The comparative figures are for the twelve months ended June 30, 2004.

18. Subsequent Event

Subsequent to August 31, 2004, the Avalon East School District was amalgamated with the Avalon West, Burin Peninsula and Vista School Districts to form the Eastern School District. Effective September 1, 2004 the four boards were combined and now operate as one school district.

Avalon East School District
Schedule 1
Current Revenues

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)
2003

Current Revenues

32 010 Provincial Government Grants		
011 Regular operating grants	\$ 25,668,522	\$ 22,722,909
016 Special grants	-	-
French immersion	-	-
Official language monitor	-	-
French language recuperation	-	-
Textbook credit allocation	-	-
Communication technology	-	-
Other	-	-
Salaries and benefits		
017 Directors and assistant directors	212,110	306,468
021 Regular teachers	158,833,079	132,402,045
Teachers' severance	2,767,471	2,222,845
022 Substitute teachers	-	-
Student assistants	3,892,853	3,732,391
030 Pupil transportation	-	-
031 Board owned	-	-
032 Contracted	7,708,168	5,768,109
033 Handicapped	<u>861,785</u>	<u>938,738</u>
	<u>199,943,988</u>	<u>168,093,505</u>
33 010 Donations		
012 Cash receipts	-	-
013 Non cash receipts	-	-
014 Restricted use	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
34 010 Ancillary Services		
011 Revenues from rental of residences	-	-
021 Revenues from rental of Schools and facilities (Net)	15,495	38,155
031 Cafeterias	-	-
032 Other	<u>-</u>	<u>-</u>
	<u>15,495</u>	<u>38,155</u>

Avalon East School District
Schedule 1 (Cont'd)
Current Revenues

			(Note 16)
For the Fourteen Months Ended August 31, 2004	2004		2003
35 010 Miscellaneous			
011 Interest on investments	\$ 85,259	\$	16,626
012 Bus charters	-	-	-
021 Recoveries of expenditures (workers' compensation)	-	-	-
031 Revenues from other School Districts	-	-	-
051 Insurance proceeds	-	-	-
061 Bilingual education revenue	-	-	-
071 Operating revenue from native peoples grant	-	-	-
081 Miscellaneous federal grants	-	-	-
091 Textbooks	507,071		399,019
092 Other			
Summer and night school fees	371,039		443,932
Gain on sale of capital assets	-		1,868,737
Sundry	<u>234,479</u>		<u>690,209</u>
	<u>1,197,848</u>		<u>3,418,523</u>
Total Current Revenues	<u>\$201,157,331</u>		<u>\$171,550,183</u>

Avalon East School District
Schedule 2
Administration Expenditures

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

51 Salaries and benefits		
011 Directors and assistant directors	\$ 559,470	\$ 426,786
012 Board office personnel	1,816,355	1,244,674
013 Office supplies	35,595	25,281
014 Replacement furniture and equipment	-	-
015 Postage	27,578	23,543
016 Telephone	115,137	80,572
017 Office equipment rentals and repairs	251,645	49,487
018 Bank charges	25	21,446
019 Electricity	-	-
021 Fuel	-	-
022 Insurance	39,610	34,500
023 Repairs and maintenance (office building)	-	-
024 Travel	26,333	33,725
025 Board meeting expenses	37,199	40,565
026 Election expenses	-	-
027 Professional fees	181,622	233,281
028 Advertising	43,044	38,526
029 Membership dues	-	-
031 Municipal service fees	-	-
032 Rental of office space	282,590	236,449
033 Relocation expenses	-	-
034 Miscellaneous	-	-
035 Payroll tax (included with salary costs)	-	-
Total Administration expenditures	\$ 3,416,203	\$ 2,488,835

Avalon East School District
Schedule 3
Instruction Expenditures

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

52 010 Instructional Salaries (Gross)

Teachers' salaries		
011 Regular	\$132,691,111	\$110,301,245
012 Substitute	4,651,637	4,278,575
013 Board paid	-	-
Teachers' severance	2,767,471	2,222,845
014 Augmentation	163,738	128,209
015 Employee benefits	21,478,508	17,878,514
016 School secretaries - salaries and benefits	2,422,658	2,720,279
017 Payroll tax	107,209	108,362
018 Other		
Salaries and benefits - program assistants	94,633	155,572
Salaries and benefits - student assistants	<u>3,785,985</u>	<u>3,667,772</u>
	<u>168,162,950</u>	<u>141,461,373</u>

52 040 Instructional Materials

041 General supplies	1,276,778	1,433,884
042 Library resource materials	160,779	163,957
043 Teaching aids	339,615	305,152
044 Textbooks	<u>507,071</u>	<u>399,112</u>
	<u>2,284,243</u>	<u>2,302,105</u>

52 060 Instructional Furniture and Equipment

061 Replacement	18,601	26,846
062 Rentals and repairs	-	<u>54,340</u>
	<u>18,601</u>	<u>81,186</u>

50 080 Instructional Staff Travel

082 Teachers' travel	<u>95,473</u>	<u>101,009</u>
	<u>95,473</u>	<u>101,009</u>

52 090 Other Instructional Costs

Other	<u>679,743</u>	<u>1,172,262</u>
	<u>679,743</u>	<u>1,172,262</u>

Total instruction expenditures	<u>\$171,241,010</u>	<u>\$145,117,935</u>
--------------------------------	----------------------	----------------------

Avalon East School District
Schedule 4
Operations and Maintenance Expenditures - Schools

For the Fourteen Months Ended August 31, 2004

(Note 16)
2004 2003

53

Salaries		
011 Janitorial	\$ 7,968,110	\$ 7,084,649
012 Maintenance	542,515	436,544
013 Payroll tax	135,510	116,439
014 Electricity	4,275,202	3,928,196
015 Fuel	915,920	1,082,716
016 Municipal service fee	265,589	263,289
017 Telephone	526,668	422,661
018 Vehicle operating and travel	116,114	80,119
019 Janitorial supplies	355,522	307,879
021 Janitorial equipment	-	-
022 Repairs and maintenance - buildings	1,769,592	1,535,955
023 Equipment	9,019	6,874
024 Contracted services - janitorial	-	-
025 Snow clearing	580,024	556,956
026 Rentals	(88)	-
027 Other (miscellaneous)	<u>88,190</u>	<u>78,243</u>
Total operations and maintenance	<u>\$ 17,547,887</u>	<u>\$ 15,900,520</u>

Avalon East School District
Schedule 5
Pupil Transportation Expenditures

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

54 040 Contracted Services

041 Regular transportation

\$ 7,681,123

\$ 5,800,319

042 Handicapped

940,410

939,314

Pupil transportation expenditures

\$ 8,621,533

\$ 6,739,633

Avalon East School District
Schedule 6
Ancillary Services and Miscellaneous Expenses

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

Ancillary Services

The Board operates the following ancillary services:

55 Ancillary services

011 Operation of teachers' residences	\$ -	\$ -
031 Cafeterias	-	-
032 Other - Environmental Centre	<u>148,362</u>	<u>145,633</u>
	<u>\$ 148,362</u>	<u>\$ 145,633</u>

Miscellaneous Expenses

The Board has incurred the following miscellaneous expenses:

57 011 Bad debt expense	<u>\$ 370,524</u>	<u>\$ 73,970</u>
-------------------------	-------------------	------------------

Avalon East School District
Schedule 7
Details of Capital Assets

For the Fourteen Months Ended August 31, 2004

	Cost June 30, 2003	Additions	Disposals	Accumulated Amortization	NBV August 31, 2004
12 210 Land and Sites					
211 Land and sites	\$ 3,153,195	\$ -	\$ -	\$ -	\$ 3,153,195
12 220 Buildings					
221 Schools	93,904,105	-	-	76,587	93,827,518
222 Administration	1,082,474	-	-	34,011	1,048,463
223 Residential	-	-	-	-	-
224 Recreational	-	-	-	-	-
225 Other	-	-	-	-	-
	<u>94,986,579</u>	<u>-</u>	<u>-</u>	<u>110,598</u>	<u>94,875,981</u>
12 230 Furniture and Equip.					
231 Schools	8,649,002	1,024,279	-	1,121,386	8,551,895
232 Administration	918,038	10,000	-	60,317	867,721
233 Residential	-	-	-	-	-
234 Recreation	-	-	-	-	-
235 Other	-	-	-	-	-
	<u>9,567,040</u>	<u>1,034,279</u>	<u>-</u>	<u>1,181,703</u>	<u>9,419,616</u>
12 240 Vehicles					
241 Service vehicles	<u>42,873</u>	<u>-</u>	<u>-</u>	<u>22,513</u>	<u>20,360</u>
12 250 Pupil Transportation					
251 Land	-	-	-	-	-
252 Building	-	-	-	-	-
Vehicles					
253 Buses	-	-	-	-	-
254 Service	-	-	-	-	-
255 Equipment	-	-	-	-	-
256 Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
12 260 Assets Under Capital Lease					
Other					
261 Energy retrofit	<u>5,640,585</u>	<u>141,177</u>	<u>-</u>	<u>3,454,200</u>	<u>2,327,562</u>
Total Capital Assets	\$113,390,272	\$ 1,175,456	\$ -	\$ 4,769,014	\$109,796,714

Avalon East School District
Schedule 8
Details of Long- Term Debt

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

Ref. #

211 Bank Loans

Repayable \$ 5,706 monthly, maturing 2005	53,963	126,175
Repayable \$ - monthly, maturing	-	-
Repayable \$ - monthly, maturing	-	-
Repayable \$ - monthly, maturing	-	-
Repayable \$ - monthly, maturing	-	-
Repayable \$ - monthly, maturing	-	-

Total 211

53,963

126,175

212 Mortgages

repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-

Total 212

-

-

213 Debentures

repayable \$ - monthly, maturing	-	-
repayable \$ - monthly, maturing	-	-

Total 213

-

-

Subtotal

53,963

126,175

215 Less current maturities

53,963

61,517

Total loans other than pupil transportation

\$ -

\$ 64,658

**Avalon East School District
Schedule 8 (Cont'd)
Details of Long-Term Debt**

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

22 220 Loans - pupil transportation

Ref. #

221 Vehicle bank loans

[illegible]

Total 221

222 Land, buildings and equipment bank loans

repayable \$ _____	- monthly, maturing _____	-	-
repayable \$ _____	- monthly, maturing _____	-	-
repayable \$ _____	- monthly, maturing _____	-	-
repayable \$ _____	- monthly, maturing _____	-	-
repayable \$ _____	- monthly, maturing _____	-	-

Total 222

223 Less current maturities

Total loans - pupil transportation

Total long-term debt

Avalon East School District
Schedule 8A
Summary of Long- Term Debt
(Note 16)
For the Fourteen Months Ended August 31, 2004

Description	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School construction		\$ -	\$ -	\$ -	-
B) Equipment	7.5%	126,175	-	72,212	53,963
C) Service vehicles		-	-	-	-
D) Other		-	-	-	-
E) Pupil		-	-	-	-
Transportation		-	-	-	-
Total Loans		\$ 126,175	\$ -	\$ 72,212	\$ 53,963

Avalon East School District
Schedule 8B
Schedule of Current Maturities
(Note 16)

For the Fourteen Months Ended August 31, 2004

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School construction	\$ -	\$ -	\$ -	\$ -	-
B) Equipment	53,963	-	-	-	-
C) Service vehicles	-	-	-	-	-
D) Other	-	-	-	-	-
E) Pupil	-	-	-	-	-
Transportation	-	-	-	-	-
Total loans	\$ <u>53,963</u>	\$ -	\$ -	\$ -	-

Avalon East School District
Schedule 8C
Schedule of Interest Expense

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

56 010

Description

012 Capital

School construction

\$ - \$ -

Equipment

35,937 11,376

Service vehicles

- -

Other

Energy management - capital lease

232,356 17,501

Total Capital

268,293 28,877

Current

013 Operating loans

- 44,130

014 Supplier interest

- -

Charges

- -

Total Current

- 44,130

Total Interest Expense

\$ 268,293 \$ 73,007

**Avalon East School District
Supplementary Information**

For the Fourteen Months Ended August 31, 2004

2004

(Note 16)

2003

1. Cash

Current

Bank

112 Current	\$ 653,362	\$ 1,818,038
113 Savings	-	-
114 Teachers' payroll	64,190	52,855
115 Non teachers' payroll	-	-
116 Coupon (debenture)	-	-
117 Other (petty cash)	<u>1,000</u>	<u>1,000</u>
	<u>718,552</u>	<u>1,871,893</u>

Capital

11 210 Cash on hand and in bank	-	-
211 Cash on hand	-	-
Bank		
212 Current	-	-
213 Savings	-	-
214 Other	-	-
	<u>-</u>	<u>-</u>

Total cash on hand and in bank	<u>\$ 718,552</u>	<u>\$ 1,871,893</u>
--------------------------------	-------------------	---------------------

2. Short Term Investments

Current

123 Other		
- Canada treasury bills	\$ -	\$ -
- Mutual funds	-	-
- Balance in broker account	-	-
- Guaranteed investment Certificates	5,544	5,544

Capital

11 221 Term deposits	-	-
222 Canada savings bonds	-	-
223 Other	<u>-</u>	<u>-</u>

Total Short-term investments	<u>\$ 5,544</u>	<u>\$ 5,544</u>
------------------------------	-----------------	-----------------

Avalon East School District
Supplementary Information

For the Fourteen Months Ended August 31, 2004

	2004	(Note 16) 2003
--	------	-------------------

3. Prepaid Expenses
Current

11 141 Insurance	\$ 1,916	\$ 4,112
142 Municipal service fees	24,040	23,874
143 Supplies	-	-
144 Other		
Equipment lease	44,348	46,109
Workers' compensation	179,283	260,476
Garbage collection	1,000	1,500
Vehicle insurance	-	-
Other	202,550	49,825

Capital

11 241 Other	-	-
	<u>\$ 453,137</u>	<u>\$ 385,896</u>

**BOARD OF COMMISSIONERS OF
PUBLIC UTILITIES
FINANCIAL STATEMENTS**

MARCH 31, 2006

AUDITORS' REPORT

To: The Board of Commissioners of Public Utilities

We have audited the statement of financial position of the Board of Commissioners of Public Utilities as at March 31, 2006 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman

Chartered Accountants
St. John's, Newfoundland & Labrador
June 14, 2006

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**Statement of Financial Position****March 31, 2006**

	2006	2005
ASSETS		
Current		
Cash and short term investments	\$2,264,168	\$1,320,994
Receivables	137,836	226,312
Recoverable costs (Note 3)	240,045	159,540
Prepaid expenses	8,987	4,427
	2,651,036	1,711,273
Deferred costs – insurance review (Note 4)	223,424	772,562
Designated pension funds (Note 5)	12,505	48,569
Capital assets (Note 6)	56,488	58,410
	\$2,943,453	\$2,590,814
LIABILITIES		
Current		
Payables and accruals	\$ 309,638	\$ 558,211
Payroll accruals	468,632	449,510
	778,270	1,007,721
ACCUMULATED SURPLUS		
Invested in capital assets	56,488	58,410
Invested in designated pension funds	12,505	48,569
Internally restricted (Note 8)	1,089,713	1,084,060
Unrestricted (Note 9)	1,006,477	392,054
	2,165,183	1,583,093
	\$2,943,453	\$2,590,814

On Behalf of the Board:

Chairperson and CEO
 Vice-Chairperson

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**Statement of Operations****Year Ended March 31, 2006**

	2006	2005
Revenues		
Regulatory assessments	\$2,222,927	\$2,313,267
Insurance review assessments	778,892	-
Hearings room	2,100	7,700
Interest	37,335	30,717
Pension income (Note 5)	7,181	5,868
	3,048,435	2,357,552
Expenses		
Amortization	21,912	13,088
Consulting fees	139,762	175,090
Hearing costs (recovery)	(40,674)	482,399
Insurance review costs (Note 4)	778,892	-
Office equipment, supplies and services	75,459	64,174
Pension obligations estimation adjustment (Note 5)	43,245	100,245
Rent and insurance (Note 10)	176,464	171,600
Salaries and associated costs	1,156,538	1,197,966
Telecommunications	53,049	43,561
Training and membership	19,325	12,547
Travel	42,373	42,891
	2,466,345	2,303,561
Excess of revenues over expenses	\$ 582,090	\$ 53,991

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Accumulated Surplus Year Ended March 31, 2006

	2006				2005	
	Invested in Capital Assets	Invested in Designated Pension Funds	Internally Restricted (Note 8)	Unrestricted	Total	Total
Balance as at beginning of year	\$ 58,410	\$ 48,569	\$1,084,060	\$ 392,054	\$1,583,093	\$1,155,065
Adjustments during the year:						
Net assets of the former Petroleum Products Pricing Commission	-	-	-	-	-	338,961
Adjustment for capital assets	-	-	-	-	-	35,076
Excess of revenues over expenses	(21,912)	(36,064)	-	640,066	582,090	53,991
Invested in capital assets	19,990	-	-	(19,990)	-	-
Restricted during the year	-	-	5,653	(5,653)	-	-
Balance as at end of year	\$ 56,488	\$ 12,505	\$1,089,713	\$1,006,477	\$2,165,183	\$1,583,093

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**Statement of Cash Flows**
Year Ended March 31, 2006

	2006	2005
Operating activities		
Cash receipts from assessments and other revenues	\$ 3,136,911	\$ 2,260,507
Cash receipts from the Petroleum Products Pricing Commission	-	318,386
Cash paid to suppliers and employees	(2,678,444)	(1,987,647)
Cash provided by operating activities	458,467	591,246
Hearing and review activities		
(Increase) decrease in recoverable costs	(80,505)	1,165,809
Decrease (increase) in deferred costs – insurance review	549,138	(772,562)
Cash provided by hearing and review activities	468,633	393,247
Investing activities		
Purchase of capital assets	(19,990)	(15,848)
Decrease in designated pension funds	36,064	94,377
Cash provided by investing activities	16,074	78,529
Increase in cash during year	943,174	1,063,022
Cash position as at beginning of year	1,320,994	257,972
Cash position as at end of year	\$ 2,264,168	\$ 1,320,994

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

March 31, 2006

1. General

The Board of Commissioners of Public Utilities is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are reasonable and that the service provided is safe and reliable. Other responsibilities include (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, fuel prices pursuant to the Petroleum Products Act; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations and (d) to establish compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

2. Summary of significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are set out below:

a) Operating revenues and expenses

Operating revenues and expenses are accounted for on the accrual basis.

b) Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenses of the Board.

c) Capital assets

Capital assets are recorded on the Statement of Financial Position at their historical cost and are amortized as follows:

• Furniture and equipment	-	20% declining balance method
• Computer hardware	-	35% declining balance method
• Computer software	-	50% declining balance method
• Leasehold improvements	-	the lesser of five year straight-line and remaining term of the lease

d) Severance pay

Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

March 31, 2006

2. Significant accounting policies (cont'd)

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Board's management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes related thereto. Actual results may differ from those estimates.

3. Recoverable costs

	2006	2005
Recoverable costs, beginning of year	\$159,540	\$1,325,349
Add – specific enquiry costs incurred during the year:		
Consulting fees	407,872	161,582
Consumer Advocate	62,891	33,779
Salaries and associated costs	42,107	70,295
Transcription and printing	2,360	11,398
Travel and accommodations	7,473	19,313
Advertising and notice	7,641	7,865
Other	930	1,205
	531,274	305,437
	690,814	1,630,786
Less – costs recovered during the year	450,769	1,471,246
Recoverable costs, end of year	\$240,045	\$ 159,540

4. Deferred costs – insurance review

The Board incurred costs in the 2005 and 2006 fiscal year relating to the insurance industry review. These costs are deferred until all costs pertaining to a specific review have been accumulated and a special assessment issued. Assessment revenue and the related costs are included in the operating revenues and expenses of the Board.

5. Designated pension funds and pension obligations

Designated pension funds are disclosed in the Statement of Financial Position as net of the related pension obligation.

The Board maintains a defined benefit pension plan for two former commissioners. Designated pension funds have been established and consist of investments maintained in trust with the Royal Trust Corporation of Canada on behalf of these pensioners and are recorded at market value.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

March 31, 2006

5. Designated pension funds and pension obligations (cont'd)

	2006	2005
Balance on deposit, beginning of year	\$432,869	\$492,446
Add – earnings net of expenses	7,181	5,868
	440,050	498,314
Deduct – benefit payments	(65,445)	(65,445)
Balance on deposit, end of year	374,605	432,869
Related pension obligation	(362,100)	(384,300)
	\$ 12,505	\$ 48,569

Pension obligations represent the present value of accrued pension benefits as calculated in an actuarial report dated April 20, 2006. A pension obligations estimation adjustment of \$43,245 (2005 - \$100,245) is included in expenses in the fiscal year.

The Board also makes pension payments to a former Commissioner in the amount of \$24,520 per annum. These payments are paid directly by the Board out of operating expenses and are included in salaries and associated costs. In addition, salaries and associated costs include the expenditure of \$54,814 (2005 - \$56,173) with respect to current Commissioners and employees who are members of the *Public Service Pension Fund Act*, 1991 and entitled to benefits under that Act.

6. Capital assets

	2006		2005	
	Original Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$242,188	\$217,439	\$ 24,749	\$ 23,260
Computer hardware	177,606	159,972	17,634	15,798
Computer software	18,794	16,890	1,904	2,951
Leasehold improvements	129,617	117,416	12,201	16,401
	\$568,205	\$511,717	\$ 56,488	\$ 58,410

7. Bank credit agreement

The Board has established a \$1,000,000 line-of-credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

March 31, 2006

8. Internally restricted surplus

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2006 are as follows:

	2006	2005
Lease commitments	\$ 182,663	\$ 173,625
Payroll contingency	61,202	73,224
Redundancy pay contingency	483,132	470,978
Working capital	362,716	366,233
	\$1,089,713	\$1,084,060

Certain comparative figures related to the internally restricted surplus have been reclassified to conform to the current year's presentation.

9. Unrestricted surplus and subsequent event

Subsequent to the year end and pursuant to Section 13(7) of the Public Utilities Act, the Board approved reductions in assessments to the electrical utilities, the insurance industry and the petroleum products industry in the amounts of \$594,482, \$159,453 and \$152,542, respectively, thereby reducing the unrestricted surplus by \$906,477.

10. Lease commitments

The Board has the following lease commitments for the rental of office space in St. John's and Grand Falls-Windsor:

- a) lease agreement in the amount of \$12,256 per month (\$147,072 per annum) concluding May 31, 2008
- b) lease agreement in the amount of \$3,074 per month (\$36,888 per annum) concluding July 31, 2006

BULL ARM SITE CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2005



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

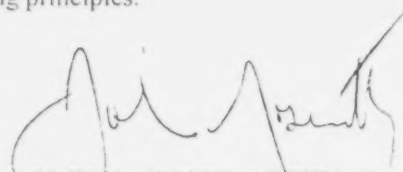
AUDITOR'S REPORT

To the Board of Directors
Bull Arm Site Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Bull Arm Site Corporation as at 31 March 2005 and the statements of revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
9 December 2005

BULL ARM SITE CORPORATION
BALANCE SHEET
31 March

2005

2004

ASSETS

Current

Cash	\$ 186,948	\$ 471,405
Investments, at cost (Note 2)	374,601	1,814,612
Accounts receivable	152,467	204,767
Prepaid expense	2,530	38,747
Deposits on services	-	60,808

716,546 2,590,339

Investment property (Note 3)

1 1

Capital assets (Note 4)

1,019,858 12,610

\$ 1,736,405 \$ 2,602,950

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 75,823	\$ 99,191
Performance bonds payable	110,409	107,744

186,232 206,935

Deferred contribution (Note 5)

- 246,300

Distribution payable to the Province

of Newfoundland and Labrador (Note 6)

1,550,169 2,149,711

1,736,401 2,602,946

Shareholders' equity

Share capital

Authorized

100 common shares of no par value

Issued

3 common shares

3 3

Equity in investment property

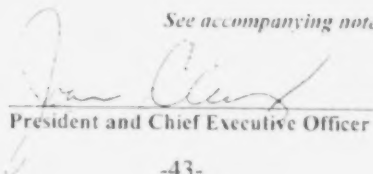
1 1

4 4

\$ 1,736,405 \$ 2,602,950

See accompanying notes

Signed on behalf of the Board:


 President and Chief Executive Officer

BULL ARM SITE CORPORATION
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 March

	2005	2004
REVENUES		
Province of Newfoundland and Labrador		
- Offshore Development Fund	\$ -	\$ 50,257
Gain on sale of investment property	539,863	-
Lease and rental revenue	108,936	527,961
Interest	25,307	68,277
	674,106	646,495
EXPENSES		
Advertising	25,322	28,983
Amortization	115,931	3,672
Conferences	4,224	6,493
Grants	35,000	35,000
Insurance	168,171	209,342
Maintenance	163,094	281,370
Membership fees	4,755	2,850
Miscellaneous	2,281	3,503
Professional fees	14,764	14,620
Salaries and employee benefits	256,278	392,946
Security	277,198	281,436
Supplies	2,698	2,922
Telephone	5,281	5,547
Travel and entertainment	12,561	52,817
Utilities	175,251	167,764
Vehicle	10,839	15,372
	1,273,648	1,504,637
Excess of expenses over revenues (Note 6)	\$ (599,542)	\$ (858,142)

See accompanying notes

BULL ARM SITE CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

2005

2004

Cash flows from operating activities

Excess of expenses over revenues	\$ (599,542)	\$ (858,142)
Adjustment for non-cash items		
Gain on sale of investment property	(539,863)	-
Amortization	115,931	3,672
Interest accrued on deposits on services	-	(1,680)
	(1,023,474)	(856,150)
Changes in non-cash working capital		
Accounts receivable	52,300	(89,518)
Due from the Offshore Development Fund	-	7,661
Prepaid expense	36,217	(28,201)
Deposits on services	60,808	-
Accounts payable and accrued liabilities	(23,368)	11,217
Deferred revenue	-	(150,000)
Performance bonds payable	2,665	100,230
	(894,852)	(1,004,761)

Cash flows from investing activities

Purchase of capital assets from operating funds	(1,123,179)	(6,674)
Purchase of capital asset from capital contributions	(296,300)	(203,700)
Sale of investment property	539,863	-
	(879,616)	(210,374)

Cash flows from financing activities

Contribution from Province of Newfoundland and Labrador to purchase capital asset	50,000	450,000
Net decrease in cash and cash equivalents	(1,724,468)	(765,135)
Cash and cash equivalents, beginning of year	2,286,017	3,051,152
Cash and cash equivalents, end of year	\$ 561,549	\$ 2,286,017

Cash and cash equivalents include:

Cash	\$ 186,948	\$ 471,405
Investments	374,601	1,814,612
	\$ 561,549	\$ 2,286,017

See accompanying notes

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2005

Authority

The Bull Arm Site Corporation was incorporated by the Province of Newfoundland and Labrador on 15 September 1995 under the *Corporations Act*. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

An agreement between the Province and the parties involved in the Hibernia project provided for the transfer of assets, known as investment property, at the Bull Arm Site to the Province. Investment property is defined in the agreement to include buildings, fixed equipment, living and recreational facilities, drydock, wharves, vehicles and other assets. In addition, the Corporation may accept investment property from other lessors of the Site upon termination of the lease agreements. The purpose of the Corporation is to receive and administer these assets at the Bull Arm Site. Investment property that is surplus to the future needs of the Corporation is either transferred for nil proceeds to the Province for its use or, if not required by the Province, disposed of to third parties.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Investment property

Management of the Corporation has determined that it is not practical to determine the value of the investment property with sufficient reliability and thus investment property is recorded at a nominal value of \$1. Any costs associated with obtaining the investment property are expensed as incurred.

(b) Capital assets

Capital assets are capitalized at cost at the time of acquisition. Contributions toward the acquisition of capital assets are deducted from the related capital asset cost with any amortization calculated on the net amount. Amortization is calculated using the methods described below based on the expected future life of the asset as follows:

Topsides module hall door	20% declining balance
Computer equipment	30% declining balance
Office equipment	20% declining balance
Vehicles	30% declining balance

2. Investments

Investments of \$374,601 (2004 - \$1,814,612) in guaranteed investment certificates are valued at cost which approximates market value. Maturity dates range from 22 April 2005 to 24 June 2005 with interest rates from 0.75% to 1.76%. Investments totaling \$110,409 (2004 - \$107,744) are encumbered as they relate to suppliers' performance bonds.

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2005

3. Investment property

In March 1998, the Corporation accepted all remaining investment property from the Hibernia Management Development Corporation. In November 2001, the Corporation accepted investment property relating to the Terra Nova Project which remained on site following the expiration of a site lease with PCL Industrial Contractors Inc.

4. Capital assets

	2005			2004	
	Cost	Capital Contributions	Accumulated Amortization	Net Book Value	Net Book Value
Topsides module hall door	\$ 1,623,180	\$ 500,000	\$ 112,318	\$ 1,010,862	\$ -
Computer equipment	15,630	-	10,769	4,861	6,945
Office equipment	4,472	-	3,117	1,355	1,694
Vehicle	4,672	-	1,892	2,780	3,971
	\$ 1,647,954	\$ 500,000	\$ 128,096	\$ 1,019,858	\$ 12,610

5. Capital contribution from the Province

During 2004, the Province of Newfoundland and Labrador agreed to contribute \$500,000 from the Offshore Development Fund towards the construction of a topsides module hall door listed in Note 4. The Province advanced \$450,000 of this contribution in 2004. During 2004, the Corporation applied \$203,700 of the \$450,000 towards the cost of the door with the remaining balance of \$246,300 being treated as a deferred contribution in 2004.

During 2005, the Province advanced the remaining \$50,000 of its \$500,000 contribution. This \$50,000 contribution, together with the deferred contribution of \$246,300 carried forward from 2004, was applied against the cost of the door during 2005.

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2005

6. Distribution payable to the Province of Newfoundland and Labrador

The Minister of Finance is authorized to invest any surplus from operations. Surpluses from operations are to be paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador but there are no set terms of repayment. The change in the distribution payable to the Province of Newfoundland and Labrador for the year is as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 2,149,711	\$ 3,007,853
Excess of expenses over revenues	(599,542)	(858,142)
Balance, end of year	\$ 1,550,169	\$ 2,149,711

7. Related party transactions

The Province of Newfoundland and Labrador has provided office space, office equipment and furnishings, and legal services at no cost to the Corporation. These contributions are not reflected in these financial statements. Salaries and benefits for certain employees of the Corporation are paid directly by the Province of Newfoundland and Labrador and the Province is reimbursed by the Corporation.

8. Financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and performance bonds payable, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

9. Operating lease obligation

A vehicle has been leased for a four year term commencing 22 October 2002. Future minimum lease payments over the next two years are as follows:

2006	\$ 6,513
2007	\$ 3,256

10. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes.

BULL ARM SITE CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2006



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Bull Arm Site Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Bull Arm Site Corporation as at 31 March 2006 and the statements of revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'John L. Noseworthy'.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
6 June 2006

BULL ARM SITE CORPORATION
BALANCE SHEET

31 March **2006** **2005**

ASSETS

Current

Cash	\$ 109,784	\$ 186,948
Investments, at cost (Note 2)	200,551	374,601
Accounts receivable	194,986	152,467
Prepaid expense	126,376	2,530

631,697 716,546

Investment property (Note 3)

1 **1**

Capital assets (Note 4)

817,428 **1,019,858**

\$ 1,449,126 **\$ 1,736,405**

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 67,720	\$ 75,823
Performance bonds payable	10,609	110,409

78,329 186,232

Distribution payable to the Province

of Newfoundland and Labrador (Note 5)

1,370,793 **1,550,169**

1,449,122 **1,736,401**

Shareholders' equity

Share capital

Authorized

100 common shares of no par value

Issued

3 common shares

3 3

Equity in investment property

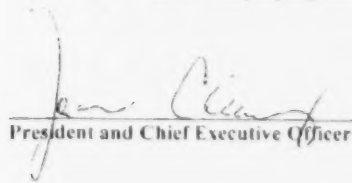
1 1

4 4

\$ 1,449,126 **\$ 1,736,405**

See accompanying notes

Signed on behalf of the Board:


President and Chief Executive Officer

BULL ARM SITE CORPORATION
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 March

	2006	2005
REVENUES		
Province of Newfoundland and Labrador		
- Operating grant	\$ 1,000,000	\$ -
Gain on sale of investment property	-	539,863
Lease and rental revenue	330,360	108,936
Interest	8,520	25,307
	<u>1,338,880</u>	<u>674,106</u>
EXPENSES		
Advertising	23,733	25,322
Amortization	205,038	115,931
Conferences	-	4,224
Grants	35,000	35,000
Insurance	168,382	168,171
Loss on sale of investment property	90,000	-
Maintenance	157,521	163,094
Membership fees	3,625	4,755
Miscellaneous	2,471	2,281
Professional fees	14,198	14,764
Salaries and employee benefits	332,455	256,278
Security	284,028	277,198
Supplies	3,366	2,698
Telephone	6,911	5,281
Travel and entertainment	3,789	12,561
Utilities	174,738	175,251
Vehicle	13,001	10,839
	<u>1,518,256</u>	<u>1,273,648</u>
Excess of expenses over revenues (Note 5)	\$ (179,376)	\$ (599,542)

See accompanying notes

BULL ARM SITE CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2006	2005
Cash flows from operating activities		
Excess of expenses over revenues	\$ (179,376)	\$ (599,542)
Adjustment for non-cash items		
Loss on sale of investment property	90,000	-
Gain on sale of investment property	-	(539,863)
Amortization	205,038	115,931
	115,662	(1,023,474)
Changes in non-cash working capital		
Accounts receivable	(42,519)	52,300
Prepaid expense	(123,846)	36,217
Deposits on services	-	60,808
Accounts payable and accrued liabilities	(8,103)	(23,368)
Performance bonds payable	(99,800)	2,665
	(158,606)	(894,852)
Cash flows from investing activities		
Purchase of capital assets from operating funds	(2,608)	(1,123,179)
Purchase of capital asset from capital contributions	-	(296,300)
Change in surplus investment property	(90,000)	539,863
	(92,608)	(879,616)
Cash flows from financing activities		
Contribution from Province of Newfoundland and Labrador to purchase capital asset	-	50,000
Net decrease in cash and cash equivalents	(251,214)	(1,724,468)
Cash and cash equivalents, beginning of year	561,549	2,286,017
Cash and cash equivalents, end of year	\$ 310,335	\$ 561,549
Cash and cash equivalents include:		
Cash	\$ 109,784	\$ 186,948
Investments	200,551	374,601
	\$ 310,335	\$ 561,549

See accompanying notes

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Bull Arm Site Corporation was incorporated by the Province of Newfoundland and Labrador on 15 September 1995 under the *Corporations Act*. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

An agreement between the Province and the parties involved in the Hibernia project provided for the transfer of assets, known as investment property, at the Bull Arm Site to the Province. Investment property is defined in the agreement to include buildings, fixed equipment, living and recreational facilities, drydock, wharves, vehicles and other assets. In addition, the Corporation may accept investment property from other lessors of the Site upon termination of the lease agreements. The purpose of the Corporation is to receive and administer these assets at the Bull Arm Site. Investment property that is surplus to the future needs of the Corporation is either transferred for nil proceeds to the Province for its use or, if not required by the Province, disposed of to third parties.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Investment property

Management of the Corporation has determined that it is not practical to determine the value of the investment property with sufficient reliability and thus investment property is recorded at a nominal value of \$1. Any costs associated with obtaining the investment property are expensed as incurred.

(b) Capital assets

Capital assets are capitalized at cost at the time of acquisition. Contributions toward the acquisition of capital assets are deducted from the related capital asset cost with any amortization calculated on the net amount. Amortization is calculated using the methods described below based on the expected future life of the asset as follows:

Topsides module hall door	20% declining balance
Computer equipment	30% declining balance
Office equipment	20% declining balance
Vehicles	30% declining balance

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

2. Investments

Investments of \$200,551 (2005 - \$374,601) in guaranteed investment certificates are valued at cost which approximates market value. Maturity dates range from 21 April 2006 to 7 March 2007 with interest rates from 0.95% to 3.00%. Investments totalling \$10,609 (2005 - \$110,409) are encumbered as they relate to suppliers' performance bonds.

3. Investment property

In March 1998, the Corporation accepted all remaining investment property from the Hibernia Management Development Corporation. In November 2001, the Corporation accepted investment property relating to the Terra Nova Project which remained on site following the expiration of a site lease with PCL Industrial Contractors Inc.

4. Capital assets

	<u>2006</u>			<u>2005</u>	
	<u>Cost</u>	<u>Capital Contributions</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Topsides module hall door	\$ 1,623,180	\$ 500,000	\$ 314,491	\$ 808,689	\$ 1,010,862
Computer equipment	16,464	-	12,352	4,112	4,861
Office equipment	6,246	-	3,565	2,681	1,355
Vehicle	4,672	-	2,726	1,946	2,780
	<u>\$ 1,650,562</u>	<u>\$ 500,000</u>	<u>\$ 333,134</u>	<u>\$ 817,428</u>	<u>\$ 1,019,858</u>

5. Distribution payable to the Province of Newfoundland and Labrador

The Minister of Finance is authorized to invest any surplus from operations. Surpluses from operations are to be paid into the Consolidated Revenue Fund of the Province of Newfoundland and Labrador but there are no set terms of repayment. The change in the distribution payable to the Province of Newfoundland and Labrador for the year is as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 1,550,169	\$ 2,149,711
Excess of expenses over revenues	(179,376)	(599,542)
Balance, end of year	<u>\$ 1,370,793</u>	<u>\$ 1,550,169</u>

BULL ARM SITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

6. Related party transactions

The Province of Newfoundland and Labrador has provided office space, office equipment and furnishings, and legal services at no cost to the Corporation. These contributions are not reflected in these financial statements. Salaries and benefits for certain employees of the Corporation are paid directly by the Province of Newfoundland and Labrador and the Province is reimbursed by the Corporation.

7. Financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and performance bonds payable, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

8. Operating lease obligation

A vehicle has been leased for a four year term commencing 22 October 2002. Future minimum lease payments over the next year will amount to \$3,256.

9. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes.

BUSINESS INVESTMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2006



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador


AUDITOR'S REPORT

To the Board of Directors
Business Investment Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Business Investment Corporation as at 31 March 2006 and the statements of equity, revenues and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
1 June 2006

STATEMENT 1

BUSINESS INVESTMENT CORPORATION
BALANCE SHEET
31 March

2006

2005

ASSETS

Cash (Note 2)	\$ 13,266,173	\$ 2,010,687
Loans and equity investments (Note 3)	8,297,869	9,372,734
Long-term investments (Note 4)	9,422	9,422
	<u>\$ 21,573,464</u>	<u>\$ 11,392,843</u>

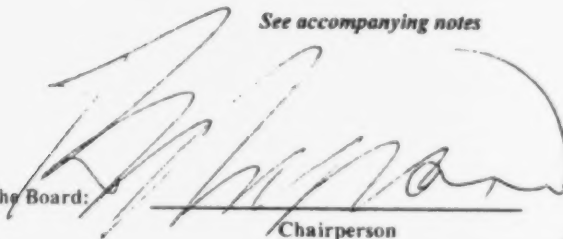
LIABILITIES AND EQUITY

Borrowers' deposits	\$ 68,517	\$ 68,517
<u>Equity</u>	<u>21,504,947</u>	<u>11,324,326</u>
	<u>\$ 21,573,464</u>	<u>\$ 11,392,843</u>

Contingent liabilities (Note 5)
 Commitments (Note 6)

See accompanying notes

Signed on behalf of the Board:



Chairperson



Director of Portfolio Management

STATEMENT 2

BUSINESS INVESTMENT CORPORATION
STATEMENT OF EQUITY
For the Year Ended 31 March

	2006	2005
Contributed capital (Note 7)		
Balance, beginning of year	\$ 59,764,839	\$ 68,178,530
Aquaculture Working Capital Fund reserve (Note 2)	816	22,486
Capital contributions from the Province	10,800,000	3,178,900
Principal paid to the Province	-	(3,004,669)
Contributions disbursed as grants	(464,487)	(319,084)
Principal written off, net of recoveries (Note 3)	(4,744,609)	(8,291,324)
Balance, end of year	65,356,559	59,764,839
Deficit		
Balance, beginning of year	(48,440,513)	(55,367,244)
Investment income paid to the Province	-	(489,302)
Excess of expenses over revenues	(155,708)	(875,291)
Principal written off, net of recoveries (Note 3)	4,744,609	8,291,324
Balance, end of year	(43,851,612)	(48,440,513)
Equity, end of year	\$ 21,504,947	\$ 11,324,326

See accompanying notes

STATEMENT 3

BUSINESS INVESTMENT CORPORATION
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 March

	2006	2005
REVENUES		
Interest on loans	\$ 768,091	\$ 675,841
Other investment income	314,855	30,299
Dividend income	5,753	5,662
	<u>1,088,699</u>	<u>711,802</u>
EXPENSES		
Provision for decline in value of loans receivable and equity investments (Note 3)	1,244,122	1,566,155
Miscellaneous expense	285	20,938
	<u>1,244,407</u>	<u>1,587,093</u>
Excess of expenses over revenues	\$ (155,708)	\$ (875,291)

See accompanying notes

STATEMENT 4

BUSINESS INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2006	2005
Cash flows from operating activities		
Excess of expenses over revenues	\$ (155,708)	\$ (875,291)
Adjustments for non-cash items		
Provision for decline in value of loans receivable and equity investments	1,244,122	1,566,155
	1,088,414	690,864
Changes in non-cash operating items		
Due from the Province	-	49
Insurance premium receivable	-	20,783
	1,088,414	711,696
Cash flows from investing activities		
Increase in loans and equity investments	(3,055,577)	(3,172,515)
Collection of loans and equity investments	2,886,320	3,569,694
	(169,257)	397,179
Cash flows from financing activities		
Aquaculture Working Capital Fund reserve	816	22,486
Capital contributions from the Province	10,800,000	3,178,900
Principal paid to the Province	-	(3,004,669)
Contributions disbursed as grants	(464,487)	(319,084)
Investment income paid to the Province	-	(489,302)
	10,336,329	(611,669)
Net increase in cash	11,255,486	497,206
Cash, beginning of year	2,010,687	1,513,481
Cash, end of year	\$ 13,266,173	\$ 2,010,687

See accompanying notes

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

The *Business Investment Corporation Act* came into force effective 1 April 2002. Under this *Act*, the Business Investment Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Also under this *Act*, the *Fisheries Loan Act*, the *Farm Development Loan Act*, the *Economic Recovery Commission Act* and the *Enterprise Newfoundland and Labrador Corporation Act* were repealed.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Corporation records loans receivable at cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(b) Equity investments

The Corporation records equity investments at cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the cost basis.

Provision is made by the Corporation for any decline in the value of investee companies which is considered to be other than temporary.

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

1. Significant accounting policies (cont.)

(c) Revenue recognition

Interest income is accounted for on the accrual basis for all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest, or when payment is contractually past due 90 days. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Dividends are recorded as income when received.

2. Aquaculture Working Capital Fund

During the fiscal years 2000-01 to 2002-03, the Corporation received \$1.5 million from the Aquaculture Working Capital Fund (the Fund). The Fund assists individuals and companies in the shellfish industry throughout the Province through repayable loans. The Fund is a revolving fund in which loan repayments are not remitted to the Province but held by the Corporation to be paid out as future aquaculture loans.

As at 31 March 2006, the Fund had 19 loans outstanding totaling \$1,473,326 (2005 - 19 loans totalling \$1,518,177). During 2003-04, the Corporation established a separate loan portfolio and bank account to administer the Fund and assist in identifying payments that are received and held for future loans. As at 31 March 2006, the Fund had a balance of \$76,475 (2005 - \$25,548) which is included in these financial statements as part of cash.

3. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

3. Loans and equity investments (cont.)

Loans and equity investments consist of the following:

	<u>2006</u>	<u>2005</u>
Loans receivable		
Principal due and unpaid	\$ 21,276,315	\$ 22,975,201
Principal not yet due	14,470,691	17,592,047
Interest due and unpaid	2,489,279	3,520,413
	<u>38,236,285</u>	<u>44,087,661</u>
Less: allowance for decline in value	(30,704,742)	(35,561,456)
	<u>7,531,543</u>	<u>8,526,205</u>
Equity investments		
Equity investments, at cost	20,763,889	20,782,964
Less: allowance for decline in value	(19,997,563)	(19,936,435)
	<u>766,326</u>	<u>846,529</u>
Loans and equity investments	<u>\$ 8,297,869</u>	<u>\$ 9,372,734</u>

The allowance for the decline in value of loans receivable and equity investments consists of the following:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 55,497,891	\$ 63,340,900
Principal written off, net of recoveries	(4,744,609)	(8,291,324)
Interest written off, net of recoveries	(1,295,099)	(1,115,197)
Interest receivable adjustment	-	(2,643)
Provision for decline in value of loans receivable and equity investments	<u>1,244,122</u>	<u>1,566,155</u>
Balance, end of year	<u>\$ 50,702,305</u>	<u>\$ 55,497,891</u>

The allowance for decline in value of loans represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

4. Long-term investments

Long-term investments consist of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares are recognized at the fair market value of \$9,422 as determined by the share price at the time of the transfer of shares to the Corporation. The fair market value of these shares as at 31 March 2006 was \$33,414 (2005 - \$21,899).

5. Contingent liabilities

- (a) A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the \$900,000 to \$1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of \$1,800,000. The Province will not appeal this decision.
- (b) A statement of claim has been served on the Corporation by a company claiming a breach of contract. The company is claiming special damages of \$811,040, other general and unspecified damages, interest and costs associated with the action. The likelihood of loss as a result of this claim is not determinable.
- (c) A client of the Corporation has taken legal action to recover insurance monies payable for insurance on a fishing vessel. The claim which lists the Fisheries Loan Board and the Minister of Fisheries as co-defendants, is for \$167,000 plus interest accruing from 1990 onward. The estimated future value of this claim cannot be reasonably estimated and the outcome of this matter cannot be predicted at this time.

6. Commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of \$2,854,343 (2005 - \$1,333,318).

7. Contributed capital

The Corporation receives capital contributions from the Province and the Government of Canada for the purpose of making loans, equity investments, and providing business and market development grants. The Corporation depends on these capital contributions to carry out its mandate.

Contributed capital is reduced by the principal portion of loans collected and paid to the Province, the principal portion of loans written off, and by contributions which the Corporation disburses as grants under its Business and Market Development Program.

BUSINESS INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2006

8. Financial instruments

The Corporation's financial instruments recognized on the balance sheet, in addition to the long-term investments described in Note 4, consist of cash, loans and equity investments, and borrowers' deposits. The carrying values of cash, and borrowers' deposits approximate current fair value due to their nature and the short-term maturity or current market rate associated with these instruments.

The Corporation's loans and equity investments are recognized on the balance sheet at cost with provision being made for any decline in their value. Any estimated impairment of these loans and equity investments has been provided for through an allowance for decline in value and no further credit risk exists for these items. The carrying value of loans and equity investments approximates discounted value of expected receipts. Therefore, their carrying values approximate their current fair value and these instruments are not subject to any material interest rate risk.

9. Related party transactions

The Corporation is administered as a division of the Department of Innovation, Trade and Rural Development. Expenses of \$507,807 related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect those expenditures.

10. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

11. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

CENTRAL REGIONAL HEALTH AUTHORITY

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Board of Trustees of the **Central Regional Health Authority**

We have audited the consolidated balance sheet of the **Central Regional Health Authority** as at March 31, 2006 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

August 30, 2006

CENTRAL REGIONAL HEALTH AUTHORITY
CONSOLIDATED
Balance Sheet
March 31, 2006

Assets

Current assets:	
Receivables (Note 3)	\$ 7,045,650
Inventories (Note 4)	2,021,867
Prepays (Note 5)	<u>3,576,026</u>
Total current assets	12,643,543
Cash restricted for security deposits	19,787
Investments restricted for endowment purposes	251,301
Replacement reserve funding (Note 12)	305,594
Residents' trust funds held on deposit	674,177
Property, plant and equipment (Note 6)	61,374,138
Deferred charges	<u>17,498</u>
	<u><u>\$ 75,286,038</u></u>

Liabilities

Current liabilities:	
Bank indebtedness (Note 7)	\$ 9,988,601
Payables and accruals (Note 8)	16,080,747
Accrued vacation pay	8,301,154
Deferred operating grants	1,801,695
Deferred capital equipment donations	283,493
Deferred capital grants	3,188,447
Current portion of obligations under capital lease	101,282
Current portion of long-term debt	1,266,436
Current portion of accrued severance pay - estimated	<u>1,083,645</u>
Total current liabilities	42,095,500
Security deposits payable	19,787
Long-term debt (Note 9)	23,925,817
Obligations under capital lease (Note 10)	302,605
Trust funds payable	674,177
Accrued severance pay, less current portion of \$1,083,645	20,534,699
Unamortized deferred contributions related to property, plant and equipment (Note 11)	24,760,418
Replacement reserve (Note 12)	305,594
J.M. Olds scholarship and library funds	<u>84,393</u>
	<u><u>112,702,990</u></u>

Net assets (deficit), per accompanying statement

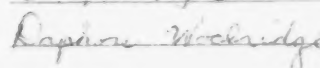
Net assets invested in property, plant and equipment	11,064,585
Net assets restricted for endowment purposes	251,301
Unrestricted net assets (deficit)	<u>(48,732,838)</u>
	<u><u>(37,416,952)</u></u>

\$ 75,286,038

See accompanying notes

Approved: -

 Trustee

 Trustee

CENTRAL REGIONAL HEALTH AUTHORITY

CONSOLIDATED

Statement of Changes in Net Assets

Year ended March 31, 2006

	Invested in Property, Plant and Equipment	Restricted for Endowment Purposes	Unrestricted	Total
Balances assumed from previous entities:				
As previously reported	\$ 12,624,450	251,301	(49,325,720)	(36,449,969)
Prior years' adjustments:				
To remove "Energy Performance Contract" net assets of "Central West Health" to conform with other entities treatment	(344,881)	-	-	(344,881)
To adjust for overstatement of accrued liabilities and related expenses in prior years	-	-	291,618	291,618
To adjust for overstatement of Foundations "Donations for the purchase of capital equipment" in prior years	-	-	145,001	145,001
As restated	12,279,569	251,301	(48,889,101)	(36,358,231)
Deficiency of revenue over expenditure	(2,425,468)	-	1,366,747	(1,058,721)
Investment in property, plant and equipment (Note 13)	1,210,484	-	(1,210,484)	-
Balance (deficit), ending	\$ 11,064,585	251,301	(48,732,838)	(37,416,952)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY**CONSOLIDATED****Statement of Operations****Year ended March 31, 2006**

Revenue

Provincial plan operating	\$ 192,360,198
MCP physicians salaries	12,152,438
Patient-resident services	11,023,640
CMHC mortgage interest subsidy (Note 9)	127,997
Redundancy funding	2,228,463
Capital project funding	2,584,766
Canadian Blood Services	2,194,514
Recoveries	2,705,158
Other revenue	2,263,709
Authority	<u>2,569,672</u>
	<u>230,210,555</u>

Expenditure

Administration	19,202,695
Community and social services	44,644,564
Support services	45,998,498
Nursing inpatient services - acute	36,268,538
- long-term care	22,339,928
Ambulatory care services	14,349,242
Diagnostic and therapeutic services	27,867,205
Medical services	14,579,983
Education services	1,426,288
Authority	<u>2,277,843</u>
	<u>228,954,784</u>

Surplus prior to non-shareable items 1,255,771

Non-shareable items

Amortization of deferred capital grants	2,384,182
Amortization	(4,503,029)
Accrued vacation pay - (increase) decrease	147,139
Accrued severance pay - (increase) decrease	(342,784)
	<u>(2,314,492)</u>

Deficiency of revenue over expenditure \$ (1,058,721)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY
CONSOLIDATED

Statement of Cash Flow

Year ended March 31, 2006

Cash flows:	
Operations:	
Deficiency of revenue over expenditure	\$(1,058,721)
Amortization	4,809,651
Amortization of deferred capital grants	<u>(2,384,182)</u>
	1,366,748
Changes in:	
Receivables	(446,115)
Inventories	117,001
Prepays	(1,458,431)
Deferred charges	24,396
Security deposits	(50)
Payables and accruals	(2,305,230)
Accrued vacation pay	(145,973)
Deferred capital equipment donations	112,355
Deferred capital grants	(650,361)
Deferred operating grants	254,964
Accrued severance pay	<u>270,080</u>
	<u>(2,860,616)</u>
Investing:	
Additions to property, plant and equipment	<u>(2,503,965)</u>
Financing:	
Repayment of long-term debt	(1,050,567)
Repayment of capital leases	(159,917)
Net changes in J. M. Olds funds	(6,969)
Grants used for the purchase of property, plant and equipment	2,024,603
Donations used for the purchase of property, plant and equipment	141,152
New loan proceeds	<u>500,000</u>
	<u>1,448,302</u>
Net increase (decrease) in cash	(3,916,279)
Cash, net of bank indebtedness:	
Beginning	<u>(6,072,322)</u>
Ending (Note 7)	<u><u>\$(9,988,601)</u></u>

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING FUND

Balance Sheet

March 31, 2006

Assets

Current assets:

Receivables (Note 3)	\$ 7,794,425
Inventories (Note 4)	2,021,867
Prepays (Note 5)	<u>3,510,866</u>

Total current assets 13,327,158

Due from Authority Fund	1,238,975
Residents' trust funds held on deposit	674,177
Property, plant and equipment (Note 6)	54,291,303
Deferred charges	<u>17,498</u>

\$ 69,549,111

Liabilities

Current liabilities:

Bank indebtedness (Note 7)	\$ 10,430,671
Payables and accruals (Note 8)	16,021,914
Accrued vacation pay	8,299,632
Deferred operating grants	1,801,695
Deferred capital grants	3,188,447
Current portion of obligations under capital lease	101,282
Current portion of long-term debt	954,337
Current portion of accrued severance pay - estimated	<u>1,083,645</u>

Total current liabilities 41,881,623

Long-term debt (Note 9)	17,731,500
Obligations under capital lease (Note 10)	302,605
Trust funds payable	674,177
Accrued severance pay, less current portion of \$ 1,083,645	20,534,699
Unamortized deferred contributions related to property, plant and equipment (Note 11)	<u>24,760,418</u>

105,885,022

Net assets (deficit), per accompanying statement:

Net assets invested in property, plant and equipment	10,416,405
Unrestricted net assets (deficit)	<u>(46,752,316)</u>

(36,335,911)

\$ 69,549,111

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING FUND

Statement of Changes in Net Assets

Year ended March 31, 2006

	Invested in Property, Plant and Equipment	Unrestricted	Total
Balances assumed from previous entities:			
As previously stated	\$ 11,968,090	(46,900,188)	(34,932,098)
Prior years' adjustments:			
To remove "Energy Performance Contract" net assets of "Central West Health" to conform with other entities treatment	(344,881)	-	(344,881)
To adjust for overstatement of accrued liabilities and related expenses of prior years'	-	291,618	291,618
As restated	11,623,209	(46,608,570)	(34,985,361)
Deficiency of revenue over expenditure	(2,118,847)	768,297	(1,350,550)
Investment in property, plant and equipment (Note 13)	912,043	(912,043)	-
Balance (deficit), ending	<u>\$ 10,416,405</u>	<u>(46,752,316)</u>	<u>(36,335,911)</u>

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING FUND

Statement of Operations

Year ended March 31, 2006

Revenue:

Provincial plan	\$ 189,548,401
Primary Health Care	656,633
MCP physicians salaries	12,152,438
Inpatient	1,568,593
Outpatient	1,586,753
Resident revenue - long-term care	7,868,294
CMHC mortgage interest subsidy	127,997
Redundancy funding	2,228,463
Capital project funding	2,584,766
Canadian Blood Services	2,194,514
National Child Benefit	992,620
Early Childhood Development	173,710
Early Learning and Child Care Initiatives	988,834
Recoveries - services	1,101,326
- salaries	1,381,218
- ambulance	222,614
Other miscellaneous revenue	2,263,709
	<u>227,640,883</u>

Expenditure

Administration	19,202,695
Primary Health Care	656,633
Community and social services	43,987,931
Support services	45,998,498
Nursing inpatient services - acute	36,268,538
- long-term care	22,339,928
Ambulatory care services	14,349,242
Diagnostic and therapeutic services	27,867,205
Medical services	14,579,983
Education services	1,426,288
	<u>226,676,941</u>

Surplus prior to non-shareable items 963,942

Non-shareable items:

Amortization of deferred capital grants	2,384,182
Amortization	(4,503,029)
Accrued vacation pay - (increase) decrease	147,139
Accrued severance pay - (increase) decrease	(342,784)
	<u>(2,314,492)</u>

Excess (deficiency) of revenue over expenditure \$ (1,350,550)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

OPERATING FUND

Statement of Cash Flow

Year ended March 31, 2006

Cash flows	
Operations	
Deficiency of revenue over expenditure	\$(1,350,550)
Amortization	4,503,029
Amortization of deferred capital grants	(2,384,182)
	786,297
Changes in:	
Receivables	(1,053,389)
Inventories	117,001
Prepays	(1,457,529)
Due from Authority Fund	236,915
Deferred charges	24,396
Payables and accruals	(1,621,028)
Accrued vacation pay	(147,139)
Deferred capital grants	(650,361)
Deferred operating grants	254,964
Accrued severance pay	270,080
	(3,257,793)
Investing	
Additions to property, plant and equipment	(2,503,965)
Financing	
Repayment of long-term debt	(752,126)
Repayment of capital leases	(159,917)
Grants used for the purchase of property, plant and equipment	2,024,603
Donations used for the purchase of property, plant and equipment	141,152
New loan proceeds	500,000
	1,753,712
Net increase (decrease) in cash	(4,008,046)
Cash, net of bank indebtedness:	
Beginning	(6,422,625)
Ending (Note 7)	<u>\$(10,430,671)</u>

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY
AUTHORITY FUND
Balance Sheet
March 31, 2006

Assets

Current assets:

Cash	\$ 442,070
Receivables (Note 3)	75,770
Prepaid expenses	<u>65,160</u>

Total current assets 583,000

Cash restricted for security deposits	19,787
Investments	251,301
Replacement reserve funding (Note 12)	305,594
Property, plant and equipment (Note 6)	<u>7,082,835</u>

\$ 8,242,517

Liabilities

Current liabilities:

Payables and accruals (Note 8)	\$ 883,378
Accrued vacation pay	1,522
Deferred capital equipment donations	283,493
Current portion of long-term debt	<u>312,099</u>

Total current liabilities 1,480,492

Security deposits payable	19,787
Long-term debt (Note 9)	6,194,317
Due to Operating Fund	1,238,975
Replacement reserve (Note 12)	305,594
J M Olds scholarship and library funds	<u>84,393</u>

9,323,558

Net assets (deficit), per accompanying statement:

Net assets invested in property, plant and equipment	648,180
Net assets restricted for endowment purposes	251,301
Unrestricted net assets (deficit)	<u>(1,980,522)</u>

(1,081,041)

\$ 8,242,517

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

AUTHORITY FUND

Statement of Changes in Net Assets

Year ended March 31, 2006

	Invested In Property, Plant and Equipment	Restricted for Endowment Purposes	Unrestricted Operating	Total
Balances assumed from previous entities:				
As previously reported	\$ 656,360	251,301	(2,425,532)	(1,517,871)
Prior years' adjustment for overstatement of "Donations for the purchase of capital equipment"	-	-	145,001	145,001
As restated	656,360	251,301	(2,280,531)	(1,372,870)
Excess of revenue over expenditure	(306,621)	-	598,450	291,829
Repayment of long-term debt	298,441	-	(298,441)	-
Balance (deficit), ending	\$ 648,180	251,301	(1,980,522)	(1,081,041)

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

AUTHORITY FUND

Statement of Operations

Year ended March 31, 2006

Revenue:	
Real estate rentals	\$ 191,671
Interest	184,502
Differentials	37,929
Parking meters	15,359
Vending machines	<u>20,839</u>
	450,300
North Haven Manor Phase I, II, III cottages	726,858
North Haven Manor Phase IV cottages	92,422
Valley Vista Cottages	476,712
Bonnews Lodge Apartment Complex	126,926
South and Central Health Foundation	506,668
Central Northeast Health Foundation	<u>189,786</u>
	<u>2,569,672</u>
Expenditure	
Real estate, including amortization of \$ 14,315	201,356
Non-shareable costs	13,485
Non-shareable interest	203,953
Medical services	15,000
Minor equipment purchases	6,906
Donations and miscellaneous	4,314
Professional fees	4,369
Vending machines	<u>10,696</u>
	460,079
North Haven Manor Phase I, II, III Cottages, including amortization of \$112,317	766,100
North Haven Manor Phase IV Cottages, including amortization of \$15,391	92,422
Valley Vista Cottages, including amortization of \$144,642	487,667
Bonnews Lodge Apartment Complex, including amortization of \$19,956	126,926
South and Central Health Foundation	164,990
Central Northeast Health Foundation	<u>179,659</u>
	<u>2,277,843</u>
Excess of revenue over expenditure	<u>\$ 291,829</u>

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

AUTHORITY FUND

Statement of Cash Flow

Year ended March 31, 2006

Cash flows:

Operations:

Excess of revenue over expenditure	\$ 291,829
Amortization	<u>306,621</u>

598,450

Changes in:

Receivables	121,728
Prepaid expenses	(902)
Payables and accruals	(198,653)
Accrued vacation pay	1,165
Security deposits	(50)
Deferred capital equipment donations	<u>112,355</u>

634,093

Financing:

Repayment of long-term debt	(298,441)
Interest earned by J. M. Olds funds	3,999
Payments from J. M. Olds scholarship fund	(10,968)
Decrease in due to operating fund	<u>(236,915)</u>

(542,325)

Net increase in cash

91,768

Cash:

Beginning	<u>350,302</u>
-----------	----------------

Ending (Note 7)	<u>\$ 442,070</u>
-----------------	-------------------

See accompanying notes

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

1. Nature of operations:

Effective April 1, 2005 the Government of Newfoundland and Labrador created the Central Regional Health Authority which assumed the assets, liabilities, net assets and operations of the following entities

Central West Health Corporation
Central East Health Care Institutions Board
Central Regional Health and Community Services Board

These financial statements reflect the operating assets, liabilities, revenue and expenditure of the following facilities and clinics operated by the Central Regional Health Authority

Facilities

A. M. Guy Memorial Health Centre	Green Bay Community Health Centre
Baie Verte Peninsula Health Centre	James Paton Memorial Hospital
Bonnews Lodge Apartment Complex	Lakeside Homes
Brookfield Bonnews Health Care Centre	North Haven Manor Senior Citizens Home
Carmelite House Senior Citizens Home	North Haven Manor Cottages
Central Newfoundland Regional Health Centre	Notre Dame Bay Memorial Health Care
Central Northeast Health Foundation	South and Central Health Foundation
Connaigre Peninsula Health Care	Valley Vista Senior Citizens Home
Dr. Hugh Twomey Health Care Centre	Valley Vista Cottages
Fogo Island Hospital	

Clinics

Carmanville	LaScie
Centreville	Lewisporte
Eastport	Mose Ambrose
Gambo	Musgrave Harbour
Gander Bay	New World Island
Glovertown	St. Alban's
Hare Bay	St. Brendan's
Hermitage	

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using the pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined, are added together to form the combined value of assets, liabilities and net assets of the Authority.

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

2. Summary of significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant by the Authority.

Inventories

Inventories are valued determined on the first in first out basis, as follows:

General stores, at average cost
Drugs, at cost

Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Property, plant and equipment are being amortized on a declining balance basis over their useful lives, at the following rates:

Land improvements	2.5 - 10%
Buildings and service equipment	2.5 - 5%
Equipment	10 - 33.3%
Motor vehicles	20.0%

In addition, the Bonnews Lodge Apartment Complex, North Haven Manor Cottage Units Phase I, II, III, North Haven Manor Cottage Units Phase IV, Valley Vista Cottages, buildings and equipment are being amortized at a rate equal to the annual principal reduction of the mortgage related to the properties. This is in accordance with an operating agreement with Newfoundland and Labrador Housing Corporation.

Replacement reserve

Newfoundland and Labrador Housing Corporation (NLHC) requires that Not-for-Profit Housing groups maintain a Replacement Reserve Fund which is to be used to fund major maintenance and the purchase of property, plant and equipment. These funds may only be used as approved by NLHC. Withdrawals are charged to interest first and then principal.

Transactions in the reserve are shown in Note 12.

Revenue recognition

Central Regional Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to property, plant and equipment are deferred and amortized to revenue at the same rates which the related property, plant and equipment are amortized.

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

3. Receivables:

	Operating Fund	Authority Fund	Consolidated
Provincial plan grants - operating	\$ 2,436,408	-	2,436,408
Capital grants	160,666	-	160,666
Patients, capital donations, rents and other	2,671,197	75,770	2,746,967
MCP	1,294,417	-	1,294,417
HST	649,853	-	649,853
Cancer Foundation	229,603	-	229,603
Cottages	347,615	-	-
South & Central Health Foundation	476,930	-	-
	<u>8,266,689</u>	<u>75,770</u>	<u>7,517,914</u>
Allowance for doubtful	<u>472,264</u>	<u>-</u>	<u>472,264</u>
	<u>\$ 7,794,425</u>	<u>75,770</u>	<u>7,045,650</u>

4. Inventories:

General stores	\$ 844,089
Drugs	<u>1,177,778</u>
	<u>\$ 2,021,867</u>

5. Prepaids:

Operating:	
Deposit on equipment	\$ 170,670
Equipment maintenance	256,637
Malpractice and membership fees	108,053
General insurance	196,163
Workplace Health, Safety and Compensation Commission	2,382,474
Municipal taxes	110,692
Other	<u>286,177</u>
	<u>3,510,866</u>
Authority	
Municipal taxes and insurance	<u>65,160</u>
	<u>\$ 3,576,026</u>

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

6. Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Operating Fund			
Land	\$ 185,593	-	185,593
Land improvements	637,125	364,944	272,181
Buildings and service equipment	65,111,872	35,294,101	29,817,771
Equipment	75,424,753	52,401,778	23,022,975
Equipment under capital lease	2,469,604	1,713,814	755,790
Motor vehicles	1,624,846	1,387,853	236,993
Motor vehicles under capital lease	94,705	94,705	-
	<u>145,548,498</u>	<u>91,257,195</u>	<u>54,291,303</u>
Authority Fund:			
Land	95,188	-	95,188
Land improvements	180,500	46,666	133,834
Buildings	9,765,540	3,022,353	6,743,187
Equipment	309,584	198,958	110,626
	<u>10,350,812</u>	<u>3,267,977</u>	<u>7,082,835</u>
	<u>\$ 155,899,310</u>	<u>94,525,172</u>	<u>61,374,138</u>

7. Bank indebtedness:

Operating fund	
Cash	\$ 18,620
Due to bank on current account	(2,879,291)
Bank demand loans	(7,570,000)
	<u>(10,430,671)</u>
Authority fund:	
Cash	<u>442,070</u>
	<u>\$(9,988,601)</u>

The Authority has access to a \$15 million line of credit in the form of revolving demand loans at its bankers. These loans have been approved by the Minister of Health and Community Services.

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

8. Payables and accruals:

	Operating Fund	Authority Fund	Consolidated Totals
Trade	\$ 9,694,373	10,025	9,704,398
Payable to operating for South and Central Health Foundation	-	476,930	-
Due to Newfoundland and Labrador Housing Corporation	-	13,493	13,493
Employee portion of EI premiums reduction	8,810	-	8,810
Payable to operating for cottages	-	347,615	-
Residents comfort fund	23,320	-	23,320
Accrued - wages	6,183,622	-	6,183,622
- interest	75,787	35,315	111,102
- other	36,002	-	36,002
	<u>\$ 16,021,914</u>	<u>883,378</u>	<u>16,080,747</u>

9. Long-term debt

Operating Fund

5.9% CMHC 1 st mortgage on Bonnews Lodge, repayable in equal monthly installments of \$10,547, interest included, maturing April, 2011	\$ 555,687
3.71% CMHC mortgage on Lakeside Homes, repayable in equal monthly installments of \$12,847, interest included, maturing April, 2020	1,692,126
7.5% CMHC mortgage on Lakeside Homes, repayable in equal monthly installments of \$4,574, interest included, maturing July, 2023	536,050
Prime plus 1% Bank of Nova Scotia deferred demand loan, repayable in equal monthly installments of \$3,056, plus interest, maturing November, 2018	464,433

3,248,296

(continued)

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

9. Long-term debt (continued):

Operating fund balance forward	\$ 3,248,296
6.05% Canadian Imperial Bank of Commerce, unsecured loan, repayable in equal monthly installments of \$69,275 interest included, maturing 2028	9,889,429
7.25% Canadian Imperial Bank of Commerce mortgage on Botwood housing, repayable in equal monthly installments of \$510, interest included, maturing in July 2028	67,250
7.25% Canadian Imperial Bank of Commerce mortgage on Botwood housing, repayable in equal monthly installments of \$462, interest included, maturing in July 2028	60,879
3.99% Canadian Imperial Bank of Commerce mortgage on Hospital renovations, repayable in equal monthly installments of \$8,096, interest included, maturing in 2014	652,655
8.0% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor, repayable in equal monthly installments of \$8,298, interest included, maturing in 2027	1,008,698
8.0% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista, repayable in equal monthly installments of \$10,124, interest included, maturing in 2029	1,277,054
Ford Credit Canada loan, repayable in equal monthly installments of \$330, interest free, maturing March 2008	7,911
Ford Credit Canada loan, repayable in equal monthly installments of \$444, interest free, maturing March 2007	5,331
Ford Credit Canada loan, repayable in equal monthly installments of \$420, interest free, maturing March 2007	5,044
7.875% Newfoundland and Labrador Housing Corporation mortgage on Carmelite House, repayable in equal monthly installments of \$8,165, interest included, maturing in 2024	959,537
5.77% Newfoundland and Labrador Housing Corporation mortgage on Carmelite House, repayable in equal monthly installments of \$9,375, interest included, maturing in 2019	<u>1,051,182</u>

18,233,266

(continued)

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

9. Long-term debt (continued):

Operating fund balance forward	<u>\$ 18,233,266</u>
Canadian Imperial Bank of Commerce loan on Botwood housing; repayable in equal monthly installments of \$650, maturing in August, 2006	3,227
General Motors Acceptance Corporation, repayable in equal monthly installments of \$1,054 interest free, maturing October 2008	32,680
Prime plus Bank of Nova Scotia loan on Bell Place relocation, repayable in equal monthly installments of \$20,834, maturing in 2008	<u>\$ 416,664</u>
	18,685,837
Less current portion	<u>954,337</u>
	<u>17,731,500</u>
Authority Fund:	
5 5% Newfoundland and Labrador Housing Corporation 1 st mortgage on Bonnews Apartment Complex; repayable in equal monthly installments of \$4,718, interest included, maturing November, 2024	663,043
5 35% Bank of Nova Scotia 1 st mortgage on land and building at 1 Newman's Hill, Twillingate; repayable in equal monthly installments of \$449, interest included, maturing November 2024	63,833
5 35% Bank of Nova Scotia 1 st mortgage on land and building at 42 Howlett's Road, Twillingate; repayable in equal monthly installments of \$373, interest included, maturing July, 2020	44,779
5 6% Bank of Nova Scotia 1 st mortgage on land and building at 30 Smith's Lane, Twillingate; repayable in equal monthly installments of \$395, interest included, maturing July, 2020	46,839
5 9% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista cottages; repayable in equal monthly installments of \$5,446, interest included, maturing June, 2016	<u>503,253</u>
	<u>1,321,747</u>
	(continued)

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

9. Long-term debt (continued):

Authority fund balance forward	<u>\$ 1,321,747</u>
4 53% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages, repayable in equal monthly installments of \$10,534, interest included, maturing December, 2017	1,152,596
4 24% Newfoundland and Labrador Housing Corporation mortgage on Valley Vista Cottages, repayable in equal monthly installments of \$5,446, interest included, maturing May, 2018	597,844
5 79% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages, repayable in equal monthly installments of \$3,991, interest included, maturing July, 2023	559,377
9 5% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages, repayable in equal monthly installments of \$7,925, interest included, maturing June, 2029	903,402
11 5% National Life Assurance Company of Canada mortgage on North Haven Manor Cottages, repayable in equal monthly installments of \$11,699, interest included, maturing in 2016	874,498
4 97% Newfoundland and Labrador Housing Corporation mortgage on North Haven Manor Cottages, repayable in equal monthly installments of \$9,825, interest included, maturing November 2018	<u>1,096,952</u>
	6,506,416
Less current portion	<u>312,099</u>
	<u>6,194,317</u>
Consolidated totals	<u>\$ 23,925,817</u>

(continued)

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

9. Long-term debt (continued):

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

	<u>Operating Fund</u>	<u>Authority Fund</u>
2007	\$ 954,337	312,099
2008	904,534	332,484
2009	787,992	353,297
2010	839,665	376,151
2011	898,916	400,700

Interest subsidy:

The Authority has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs. The amount of assistance received from Newfoundland and Labrador Housing Corporation in 2006 was \$127,997 for the Operating Fund facilities and \$261,859 for the Authority's Cottage operations.

10. Obligations under capital lease:

The Authority has entered into a number of agreements whereby it leases certain equipment for terms ranging from three to six years. These leases are accounted for as capital leases with the Authority treating the equipment as an acquisition of an asset and the assumption of an obligation. The effective interest rates range from 6.3% to 16.37%.

The following is a schedule of future minimum lease payments under the capital leases:

Year ending March 31

2007	\$ 120,464
2008	113,895
2009	113,895
2010	<u>110,089</u>
Total minimum lease payments	458,343
Less amount representing interest	<u>54,456</u>
Balance of obligation	403,887
Less current portion	<u>101,282</u>
	<u>\$ 302,605</u>

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

11. Unamortized deferred contribution related to property, plant and equipment:

Deferred contributions related to property, plant and equipment represent restricted contributions with which property, plant and equipment were originally purchased. The changes in the deferred contributions for the year are as follows:

Assumed from previous entries	\$ 24,978,845
Add	
Capital equipment grants	2,024,603
Donated equipment	<u>141,152</u>
	27,144,600
Deduct	
Amortization	<u>2,384,182</u>
Balance, ending	<u>\$ 24,760,418</u>

12. Replacement reserve:

Assumed from previous entries	\$ 272,766
Add	
Allocation for year	30,220
Reimbursement for prior year expenditure	12,900
Contribution from Central Health	<u>36,139</u>
	352,025
Less	
Approved expenditures	<u>46,431</u>
Balance, ending	<u>\$ 305,594</u>
Funding:	
Replacement reserve funds	\$ 178,661
Due from Newfoundland & Labrador Housing Corporation for replacement reserve	<u>126,933</u>
	<u>\$ 305,594</u>

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

13. Investment in property, plant and equipment:

Operating fund:	
Repayment of long-term debt	\$ 752,126
Repayment of capital leases	<u>159,917</u>
	912,043
Authority fund:	
Repayment of long-term debt	<u>298,441</u>
	<u>\$ 1,210,484</u>

14. Commitments:

Operating leases

The Authority has a number of agreements whereby it leases property and equipment in addition to those disclosed under Note 10. These agreements range in terms from one to three years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases are as follows:

2007	\$ 627,255
2008	572,741
2009	461,649
2010	380,019
2011	361,286

Energy performance contract

The Authority assumed Energy Performance Contracts from the previous entities, Central West Health Corporation and Central East Health Care Institutions Board. These contracts were entered into during 2001 and 2000, respectively, with Enerplan Consultants Ltd. for the design and implementation of measures to improve energy efficiency, wherein Enerplan guaranteed the energy savings component.

The contracts were crystallized at \$4,450,214 for Central West and \$1,247,329 for Central East and are being repaid from operating and energy savings over a ten year period having commenced in August, 2002 and January, 2000, respectively.

These contracts were financed through the Canadian Imperial Bank of Commerce for Central West and Associates Capital Limited for Central East.

(continued)

CENTRAL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

14. Commitments (continued):

As support for this financing, Enerplan Consultants Ltd., has assigned to the financiers any funds due to them by the Authority for the energy savings component of the contract.

In the opinion of management of the Authority, the guaranteed energy savings component of Enerplan Consultants Ltd. is an offset to the obligations of the Authority to the Canadian Imperial Bank of Commerce and Associates Capital Limited and as a consequence neither the capital expenditures or the financing obligations are reflected in these financial statements of the Authority at March 31, 2006.

15. Contingency

As of March 31, 2006 there were a number of legal claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

COLLEGE OF THE NORTH ATLANTIC
AUDITORS' REPORT
FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Board of Governors of the **College of the North Atlantic**

We have audited the statement of financial position of the **College of the North Atlantic** as at March 31, 2006 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2006, and the results of its operations and the changes in net assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland
June 30, 2006

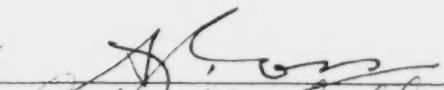
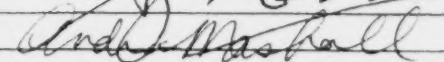
College of the North Atlantic
Statement of Financial Position
 March 31, 2006

	<u>2006</u>	<u>2005</u>
Assets		
Current assets		
Cash	\$ 26,426,083	\$ 9,048,959
Receivables - Note 2	5,998,583	7,703,281
Inventory	861,757	752,698
Prepaid expenses	733,206	810,662
Total current assets	<u>34,019,629</u>	<u>18,315,600</u>
Property, plant & equipment - Note 3	7,689,981	8,404,782
Trust accounts - Note 4	504,188	366,337
	<u>\$ 42,213,798</u>	<u>\$ 27,086,719</u>
Liabilities and Equity		
Current liabilities		
Payables and accruals - Note 10	\$ 11,014,640	\$ 10,050,800
Deferred revenue	4,755,069	5,077,914
Due to Qatar Campus	9,723,772	880,391
Accrued leave - management	1,639,797	1,500,175
Accrued vacation - other	4,166,778	3,693,956
Current portion of severance	1,000,000	1,000,000
Total current liabilities	<u>32,300,056</u>	<u>22,203,236</u>
Trust and scholarship accounts - Note 4	504,188	366,337
Deferred capital contributions - Note 5	4,169,297	3,420,011
Accrued severance pay	10,549,122	10,624,873
	<u>47,522,663</u>	<u>36,614,457</u>
Surplus (deficit) per accompanying statement	<u>(5,308,865)</u>	<u>(9,527,738)</u>
	<u>\$ 42,213,798</u>	<u>\$ 27,086,719</u>

Approved:

Chair
Director

Director

See accompanying notes.

College of the North Atlantic
Statement of Operations
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Revenue - Schedule 1		
Grant-in-aid	\$ 50,711,600	\$ 47,915,150
Facilities	13,170	12,633
Administration	456,515	301,297
Instructional	24,727,274	24,657,617
Student services	622,769	570,201
Information technology	138,403	101,340
Resale	4,005,385	3,822,225
Apprenticeship	2,886,507	2,520,125
Continuing education	586,606	487,471
Contracts	7,972,649	7,510,937
International	764,230	556,923
Special projects	6,414,495	3,343,687
Total revenue	<u>99,299,603</u>	<u>91,799,606</u>
Expenditure - Schedules 2 to 13		
Facilities	5,131,399	4,751,075
Administration	12,839,150	12,423,521
Instructional	44,449,224	45,067,082
Student services	8,275,257	7,523,117
Information technology	4,355,746	4,292,359
Resale	4,308,103	4,292,299
Apprenticeship	2,383,897	2,126,399
Continuing education	491,295	442,470
Contracts	6,326,538	6,823,991
International	638,731	482,013
Special projects	5,499,773	3,063,193
Total expenditure	<u>94,699,113</u>	<u>91,287,519</u>
Surplus before unfunded adjustments	4,600,490	512,087
Unfunded adjustments:		
Severance	91,206	(42,023)
Vacation pay	(472,823)	272,149
Total unfunded adjustments	<u>(381,617)</u>	<u>230,126</u>
Surplus of revenue over expenditures	<u>\$ 4,218,873</u>	<u>\$ 742,213</u>

See accompanying notes.

College of the North Atlantic
Statement of Changes in Net Assets
Year Ended March 31, 2006

	<u>Operating</u>	<u>Property Plant & Equipment</u>	<u>Severance and Annual Leave</u>	<u>2006 Total</u>	<u>2005 Total</u>
Balance, beginning	\$ 723,901	4,984,772	(15,236,411)	(9,527,738)	\$ (10,269,951)
Property, plant & equipment purchases during year	(1,857,571)	1,857,571			
Amortization of property, plant & equipment	2,567,919	(2,567,919)			
Capital grants received during the year	1,628,191	(1,628,191)			
Amortization of deferred capital contributions	(1,342,517)	1,342,517			
Net book value of property, plant & equipment disposed during the year	4,454	(4,454)			
Surplus (deficit) of revenue over expenditure per accompanying statement	<u>4,600,490</u>		<u>(381,617)</u>	<u>4,218,873</u>	<u>742,213</u>
Balance, ending	<u>\$ 6,324,867</u>	<u>\$ 3,984,296</u>	<u>\$ (15,618,028)</u>	<u>\$ (5,308,865)</u>	<u>\$ (9,527,718)</u>

See accompanying notes.

College of the North Atlantic
Statement of Cash Flow
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Cash flows:		
Surplus of revenue over expenditure	\$ 4,218,873	\$ 742,213
Add items of a non - cash nature:		
Loss (gain) of property, plant & equipment	12,271	(638)
Loss (gain) on disposal of property, plant & equipment	(4,454)	(4,411)
Amortization	<u>2,567,919</u>	<u>3,160,263</u>
	6,794,609	3,897,427
Changes in:		
Current assets	1,673,095	(1,808,498)
Trust accounts	0	32,113
Current liabilities	10,096,819	5,673,892
Accrued severance	<u>(75,751)</u>	<u>106,856</u>
	<u>18,488,772</u>	<u>7,901,790</u>
Financing:		
Change in deferred capital contributions	<u>749,286</u>	<u>(495,858)</u>
Investing:		
Proceeds from sale of property, plant & equipment	(3,363)	7,933
Additions to property, plant & equipment	<u>(1,857,571)</u>	<u>(4,505,381)</u>
	<u>(1,860,934)</u>	<u>(4,497,448)</u>
Net increase in cash	17,377,124	2,908,484
Cash, beginning	<u>9,048,959</u>	<u>6,140,475</u>
Cash, ending	<u><u>\$ 26,426,083</u></u>	<u><u>\$ 9,048,959</u></u>

See accompanying notes.

College of the North Atlantic
Revenue
Year Ended March 31, 2006

	2006	2005
Grant-in-aid	<u>\$ 50,711,600</u>	<u>\$ 47,915,150</u>
Facilities		
Amortization of deferred capital contribution	10,537	7,447
Parking	<u>2,633</u>	<u>5,186</u>
	<u>13,170</u>	<u>12,633</u>
Administration		
Interest	241,235	137,448
Amortization of deferred capital contribution	121,333	109,279
Gain on disposal of capital assets	12,271	5,049
Other	<u>81,676</u>	<u>49,521</u>
	<u>456,515</u>	<u>301,297</u>
Instructional		
Tuition	8,886,339	8,706,457
Equipment and materials	1,284,894	1,264,192
Subsidy	12,629,553	12,378,064
Amortization of deferred capital contribution	1,038,608	1,254,151
Daycare	347,928	312,848
Other	<u>539,952</u>	<u>741,905</u>
	<u>24,727,274</u>	<u>24,657,617</u>
Student services		
Application fee	224,439	178,888
Registration fee	291,079	281,067
Amortization of deferred capital contribution	11,076	11,541
Other	<u>96,175</u>	<u>98,705</u>
	<u>622,769</u>	<u>570,201</u>
Information technology		
Amortization of deferred capital contribution	138,053	79,325
Other	<u>350</u>	<u>22,015</u>
	<u>138,403</u>	<u>101,340</u>
Continuing education		
Tuition	586,117	484,833
Other	<u>489</u>	<u>2,638</u>
	<u>586,606</u>	<u>487,471</u>
Contracts		
Tuition	5,037,037	3,583,440
Apprenticeship/Post Journey	403,640	160,734
Other	<u>2,531,972</u>	<u>3,766,763</u>
	<u>7,972,649</u>	<u>7,510,937</u>

See accompanying notes

**College of the North Atlantic
Revenue**

Year Ended March 31, 2006

Resale		
Bookstore	2,625,000	2,566,061
Food services	986,219	857,064
Residence	360,906	371,696
Amortization of deferred capital contribution	5,250	2,350
Other	28,010	25,054
	<u>4,005,385</u>	<u>3,822,225</u>
Apprenticeship		
Apprenticeship	2,870,170	2,512,791
Amortization of deferred capital contribution	16,337	7,334
	<u>2,886,507</u>	<u>2,520,125</u>
International		
International	762,907	556,261
Amortization of deferred capital contribution	1,323	662
	<u>764,230</u>	<u>556,923</u>
Special projects		
Qatar (net)	2,425,226	764,127
Other projects	3,989,269	2,579,560
	<u>6,414,495</u>	<u>3,343,687</u>
	<u>\$ 99,299,603</u>	<u>\$ 91,799,606</u>

See accompanying notes

College of the North Atlantic
Summary of Facilities Expenditures
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 1,189,789	\$ 1,088,098
Professional development	1,460	708
Professional fees	28,349	12,721
Travel	8,310	4,132
Insurance	312,955	292,588
Interest charges	168,590	105,670
Photocopying/printing	1,474	391
Office related supplies	2,358	1,563
Freight and customs	2,699	5,741
Telephone	10,708	5,669
Utilities	1,280,040	1,188,877
Repairs and maintenance	831,759	791,518
Vehicle operations	107,522	105,578
Equipment rentals	8,391	1,290
Facilities rentals	1,004,588	1,010,729
Protective clothing	16,325	8,108
Amortization	36,210	31,352
Computer supplies	1,159	786
Minor equipment and tools	40,535	18,020
Minor computer equipment	6,608	14,209
Materials and supplies	71,570	63,327
	<u>\$ 5,131,399</u>	<u>\$ 4,751,075</u>

See accompanying notes.

College of the North Atlantic
Summary of Administration Expenditures
 Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 8,717,158	\$ 8,392,076
Professional development	131,900	106,823
Employee recognition and wellness	19,479	23,250
Professional fees	169,376	236,157
Travel	374,319	317,058
Recruitment and relocation	98,536	88,889
Insurance	1,184	1,278
Interest charges	9,434	637
Bank charges	106,459	103,490
Photocopying/printing	378,533	322,181
Office related supplies	392,795	370,797
Membership fees	97,174	95,647
General advertising	173,594	178,297
Doubtful receivables	294,925	271,665
Freight and customs	147,458	118,818
Telephone	933,608	864,731
Utilities	3,693	6,958
Repairs and maintenance	54,361	33,137
Vehicle operations	9,411	1,828
Equipment rentals	16,510	21,156
Protective clothing	6,268	6,765
Amortization	137,135	406,399
Laundry and drycleaning	1,244	1,014
Computer supplies	59,344	56,679
Educational materials	23,536	17,996
Student related	1,579	2,414
Minor equipment and tools	65,322	58,801
Minor computer equipment	127,139	79,495
Materials and supplies	287,676	239,085
	<u>\$ 12,839,150</u>	<u>\$ 12,423,521</u>

See accompanying notes

College of the North Atlantic
Summary of Instructional Expenditures
Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 38,352,929	\$ 39,146,066
Professional development	150,605	131,769
Professional fees	67,162	78,364
Travel	212,347	211,315
Recruitment and relocation	20,068	61,312
Photocopying/printing	157,436	142,790
Office related supplies	46,513	40,330
Membership fees	16,012	20,802
General advertising	12,723	9,399
Freight and customs	45,079	26,650
Telephone	99,292	92,910
Utilities	3,976	2,277
Repairs and maintenance	92,957	63,358
Vehicle operations	464,597	410,772
Equipment rentals	6,186	15,434
Facilities rentals	64,820	96,721
Protective clothing	18,810	19,073
Amortization	2,125,168	2,425,860
Food cost	110,287	61,358
Laundry and drycleaning	4,481	2,559
Textbooks and supplies	4,784	
Computer supplies	115,849	124,099
Contracted services	12,162	29,189
Educational materials	90,071	81,354
Daycare operations	110,427	125,933
Student related	85,243	74,572
Minor equipment and tools	360,965	180,886
Minor computer equipment	248,063	179,580
Materials and supplies	1,350,212	1,212,400
	<u>\$ 44,449,224</u>	<u>\$ 45,067,082</u>

See accompanying notes

College of the North Atlantic
Summary of Student Services Expenditures
Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 7,027,983	\$ 6,239,071
Professional development	26,833	28,647
Employee recognition and wellness	1,028	375
Professional fees	5,778	1,183
Travel	122,501	77,470
Recruitment and relocation	441	
Insurance	10,820	18,886
Photocopying/printing	86,784	121,523
Office related supplies	51,487	48,027
Membership fees	5,840	2,859
General advertising	304,697	401,661
Freight and customs	13,304	6,394
Telephone	35,200	28,841
Repairs and maintenance	12,639	3,208
Equipment rentals	2,592	
Facilities rentals	2,700	3,006
Protective clothing	193	134
Amortization	20,518	35,395
Computer supplies	17,254	46,686
Contracted services	124,121	114,075
Educational materials	161,376	146,126
Student related	56,871	48,532
Minor equipment and tools	29,268	36,464
Minor computer equipment	51,447	32,035
Materials and supplies	103,582	82,519
	<u>\$ 8,275,257</u>	<u>\$ 7,523,117</u>

See accompanying notes.

College of the North Atlantic
Summary of Information Technology Expenditures
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 2,442,107	\$ 2,212,815
Professional development	31,047	7,198
Professional fees	3,735	
Travel	26,107	28,871
Photocopying/printing	562	2,014
Office related supplies	7,081	6,525
Freight and customs	2,491	1,205
Telephone	34,818	23,386
Repairs and maintenance	4,573	9,538
Protective clothing	465	13
Amortization	170,611	193,639
Computer supplies	1,146,042	1,123,476
Educational materials	85	128
Minor equipment and tools	1,509	8,816
Minor computer equipment	462,029	649,781
Materials and supplies	22,484	24,954
	<u>\$ 4,355,746</u>	<u>\$ 4,292,359</u>

See accompanying notes.

College of the North Atlantic
Summary of Resale Expenditures
 Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 1,375,147	\$ 1,283,567
Professional development		2,754
Travel	1,931	2,231
Photocopying/printing	6,358	3,257
Office related supplies	10,044	10,877
General advertising	916	205
Freight and customs	95,473	95,747
Telephone	1,681	2,235
Utilities	9,944	8,508
Repairs and maintenance	8,562	12,291
Protective clothing	10,657	12,503
Amortization	30,923	16,475
Food cost	657,145	610,086
Laundry and drycleaning	9,194	14,100
Textbooks and supplies	2,026,023	2,040,974
Computer supplies	1,223	605
Educational materials		59
Minor equipment and tools	13,911	29,643
Minor computer equipment	5,018	3,899
Materials and supplies	43,953	142,283
	<u>\$ 4,308,103</u>	<u>\$ 4,292,299</u>

See accompanying notes.

College of the North Atlantic
Summary of Apprenticeship Expenditures
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 1,786,318	\$ 1,674,146
Professional development	2,299	
Professional fees	4,482	
Travel	6,863	2,737
Photocopying/printing	3,388	992
General advertising	554	290
Freight and customs	10,811	9,854
Telephone	394	
Repairs and maintenance	11,969	11,231
Vehicle operations	1,406	
Equipment rentals	6,297	
Protective clothing	1,525	1,200
Amortization	32,947	32,049
Food cost	60,010	46,132
Laundry and drycleaning	4,658	4,573
Textbooks and supplies	2,257	
Computer supplies	5,654	1,057
Educational materials	32,339	3,907
Student related	198,732	148,785
Minor equipment and tools	24,109	29,658
Minor computer equipment	1,614	1,851
Materials and supplies	185,271	157,937
	<u>\$ 2,383,897</u>	<u>\$ 2,126,399</u>

See accompanying notes.

College of the North Atlantic
Summary of Continuing Education Expenditures
 Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 405,265	\$ 340,110
Professional development	288	75
Professional fees	1,279	
Travel	1,408	15,686
Photocopying/printing	1,485	1,170
Office related supplies	177	93
General advertising	1,936	3,811
Freight and customs	1,595	552
Telephone	210	37
Vehicle operations		3,309
Facilities rentals		3,058
Food Cost	4,164	
Contracted services	33,094	14,137
Educational materials	1,232	1,018
Student related	11,449	6,397
Materials and supplies	27,713	53,017
	<u>\$ 491,295</u>	<u>\$ 442,470</u>

See accompanying notes.

College of the North Atlantic
Summary of Contract Expenditures
Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 4,662,654	\$ 5,574,547
Professional development	2,642	10,295
Professional fees	25,875	47,215
Travel	183,033	121,488
Recruitment and relocation	12,010	
Insurance	216	832
Photocopying/printing	22,316	33,666
Office related supplies	8,234	5,295
Membership fees	4,923	2,438
General advertising	78,890	80,998
Doubtful receivables		(166,757)
Freight and customs	7,258	4,224
Telephone	18,255	16,360
Repairs and maintenance	16,004	5,413
Vehicle operations	4,433	5,463
Equipment rentals	10,014	41,464
Facilities rentals	64,813	31,965
Protective clothing	20,326	5,697
Food cost	12,514	10,801
Laundry and drycleaning		791
Textbooks and supplies	774	15,069
Computer supplies	5,995	18,064
Contracted services	384,073	397,633
Educational materials	19,011	21,355
Student related	240,469	156,202
Minor equipment and tools	46,747	27,890
Minor computer equipment	50,495	45,144
Materials and supplies	424,564	310,439
	<u>\$ 6,326,538</u>	<u>\$ 6,823,991</u>

See accompanying notes.

College of the North Atlantic
Summary of International Expenditures
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$ 344,785	\$ 261,595
Professional development		813
Professional fees	2,015	46,619
Travel	111,178	88,630
Photocopying/printing	2,691	194
Office related supplies	449	260
Membership fees	13,802	13,839
General advertising	74,704	15,869
Freight and customs	8,472	3,983
Telephone	132	289
Equipment rentals	312	
Protective Clothing	561	
Amortization	14,408	19,095
Computer supplies	3,325	1,288
Contracted services	35,123	10,651
Education materials	8,881	1,246
Student related	4,803	5,631
Minor equipment and tools	3,748	
Minor computer equipment	428	2,173
Materials and supplies	8,914	9,838
	<u>\$ 638,731</u>	<u>\$ 482,013</u>

See accompanying notes.

College of the North Atlantic
Summary of Special Projects Expenditures
Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 3,625,253	\$ 1,672,162
Professional development	32,896	15,495
Professional fees	159,782	288,296
Travel	269,383	165,077
Recruitment and relocation	6,125	21,668
Insurance		145
Bank charges	675	
Photocopying/printing	18,861	10,863
Office related supplies	7,827	9,850
Membership fees	2,378	3,375
General advertising	15,396	23,840
Freight and customs	10,577	3,815
Telephone	21,075	13,988
Repairs and maintenance	223,797	104,352
Vehicle operations	4,864	226
Equipment rentals	540	747
Facilities rentals	20,756	1,669
Protective Clothing	265	
Computer supplies	21,914	36,913
Contracted services	36,417	182,715
Educational materials	3,307	23,540
Daycare operations	672	168
Student related	387,597	81,607
Minor equipment and tools	97,392	18,588
Minor computer equipment	92,725	53,355
Materials and supplies	439,299	330,739
	<u>\$ 5,499,773</u>	<u>\$ 3,063,193</u>

See accompanying notes.

College of the North Atlantic
Summary of Expenditures
Year Ended March 31, 2006

	2006	2005
Salaries and benefits	\$ 69,929,388	\$ 67,884,253
Professional development	379,970	304,577
Employee recognition and wellness	20,507	23,625
Professional fees	467,833	710,555
Travel	1,317,380	1,034,695
Recruitment and relocation	137,180	171,869
Insurance	325,175	313,729
Interest charges	178,024	106,307
Bank charges	107,134	103,490
Photocopying/printing	679,888	639,041
Office related supplies	526,965	493,617
Membership fees	140,129	138,960
General advertising	663,410	714,370
Doubtful receivables	294,925	104,908
Freight and customs	345,217	276,983
Telephone	1,155,373	1,048,446
Utilities	1,297,653	1,206,620
Repairs and maintenance	1,256,621	1,034,046
Vehicle operations	592,233	527,176
Equipment rentals	50,842	80,091
Facilities rentals	1,157,677	1,147,148
Protective clothing	75,395	53,443
Amortization	2,567,920	3,160,264
Food cost	844,120	728,377
Laundry and drycleaning	19,577	23,037
Textbooks and supplies	2,033,838	2,056,043
Computer supplies	1,377,759	1,409,653
Contracted services	624,990	748,400
Educational materials	339,838	296,729
Daycare operations	111,099	126,101
Student related	986,743	524,140
Minor equipment and tools	683,506	408,766
Minor computer equipment	1,045,566	1,061,522
Materials and supplies	2,965,238	2,626,538
	<u>\$ 94,699,113</u>	<u>\$ 91,287,519</u>

See accompanying notes.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2006

Authority and Purpose

The College of the North Atlantic (the College) operates under the authority of the College Act, 1996, Province of Newfoundland and Labrador. In accordance with Section 6 of the College Act, 1996, the College is a statutory crown corporation and as such is not subject to either Federal or Provincial income taxes and is exempt from Municipal taxes. The College is Newfoundland and Labrador's public college. The College is committed to providing accessible, responsive, quality learning opportunities which prepare people to become self-sufficient contributors to social and economic development both in a provincial and global context.

1 Significant accounting policies:

The financial statements of the College have been prepared within the framework of Canadian generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the College are as follows:

(a) *Revenue recognition*

The College follows the deferral method of accounting for contributions which includes donations and government grants. Grants for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditures were incurred. Grants for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Revenue from contractual services is recognized as the service is delivered.

(b) *Basis of accounting*

The College follows the accrual basis of accounting.

(c) *Inventory*

Inventory which consists mainly of books and food supplies is recorded at the lower of cost or net realizable value.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2006

(d) *Property, Plant & Equipment*

Property, plant & equipment recorded prior to the April 1, 1997 amalgamation of the former Colleges are recorded at either cost, nominal, or approximate fair value. Property, plant & equipment acquired after April 1, 1997 are recorded at cost. Amortization is recorded on a straight line basis using the following estimated useful lives:

Artwork	No amortization
Capital improvements	10 and 5 years
ERP - Peoplesoft	10 years
Computer and peripherals	3 years
Furnishings	5 years
Instructional equipment	5 years
Other electronic equipment	5 years
Software	3 years
Vehicles	5 years

One half year's amortization is taken in the year of acquisition.

No amortization is recorded for assets under development.

The value of donated artwork has not been recorded in these financial statements.
An accurate valuation of donated artwork has not been obtained at March 31, 2006.

On disposal, property, plant & equipment are removed from the accounts at their net book value. Proceeds from disposals are recorded and any resulting gain or loss on disposal is realized.

(e) *Severance and vacation pay*

The College is liable for severance pay to employees who have nine or more years of continuous public service. An amount has been recorded in the financial statements to reflect this liability. No provision for severance has been made for employees with less than the required years of service.

(f) *Foreign Currencies*

Transactions in foreign currencies are recorded in Canadian dollars at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Statement of Financial Position date. Exchange gains or losses arising from the translations are included in the Statement of Operations.

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2006

2 Receivables

	2006	2005
Government of Newfoundland	\$ 1,107,351	\$ 704,185
HRD Subsidy	704,485	2,934,689
Students	2,190,495	502,044
Other	2,983,474	4,361,036
	<u>6,985,805</u>	<u>8,501,954</u>
Less allowance for doubtful accounts	<u>987,222</u>	<u>798,673</u>
	<u>\$ 5,998,583</u>	<u>\$ 7,703,281</u>

3 Property, Plant & Equipment

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Artwork	\$ 5,500	\$	\$ 5,500	\$ 5,500
Capital improvements	4,954,223	3,831,034	1,123,189	871,564
Computer and peripherals	12,459,068	11,848,718	610,350	722,810
Furnishings	782,664	723,756	58,908	69,125
Instructional equipment	26,819,539	24,569,855	2,249,684	2,608,467
Other electronic equipment	322,208	248,666	73,542	85,126
Software	437,029	371,713	65,316	99,585
ERP - Peoplesoft	3,724,969	558,745	3,166,224	3,538,721
Vehicles	3,379,963	3,042,695	337,268	403,884
	<u>\$ 52,885,163</u>	<u>\$ 45,195,182</u>	<u>\$ 7,689,981</u>	<u>\$ 8,404,782</u>

The land and buildings being used by the College, with the exception of some rental property, are the properties of the Province of Newfoundland and Labrador. Expenditures for repairs and maintenance of these buildings, paid by the Province, are not recorded in the financial statements of the College.

4 Trust accounts

Trust accounts represent donations and related interest restricted for scholarships, awards and other specified purposes. Changes in the trust account balance are as follows:

	2006	2005
Opening balance	\$ 366,337	\$ 380,789
Deposits	149,570	4,041
Payments	(22,450)	(26,400)
Interest	<u>10,731</u>	<u>7,907</u>
Closing balance	<u>\$ 504,188</u>	<u>\$ 366,337</u>

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2006

5 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants and special funding received for the purchase of property, plant & equipment (PPE). Changes in the deferred capital contributions balances are as follows:

	2006	2005
Balance, beginning of year	\$ 3,420,011	\$ 3,915,869
Contributions received for PPE purposes		
- Provincial grants	1,536,387	500,000
- Special projects	91,804	476,229
- Provincial grant uncommitted	463,612	
Amortization of deferred capital contributions	(1,342,517)	(1,472,087)
	<u>\$ 4,169,297</u>	<u>\$ 3,420,011</u>

6 Pensions

Under Section 26 of the College Act, 1996, College staff is subject to the Public Service Pension Act, 1996. Employee contributions are matched by the College and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire.

7 Commitments

Deloitte Inc. Commitment

The College has entered into a contract with Deloitte Inc. to develop and maintain a PeopleSoft integrated computerized information system. Committed payments over the next five years are as follows:

2006-2007	1,084,041
2007-2008	1,171,789
2008-2009	1,315,430
2009-2010	1,476,310
2010-2011	379,172

Lease Commitment

The College leases some equipment under long-term operating leases. Lease payments for the next four years, committed under operating leases extending beyond one year, are as follows:

2006-2007	677,891
2007-2008	354,916
2008-2009	162,794
2009-2010	97,258
2010-2011	46,497

College of the North Atlantic
Notes to Financial Statements
For the twelve months ending March 31, 2006

8 Comprehensive Agreement with the State of Qatar

The College has a comprehensive agreement with the State of Qatar to establish, operate and administer a College of Applied Arts and Technology in Doha, Qatar for a ten year period, September 30, 2001 to August 31, 2012. The agreement is funded by the State of Qatar. For its services, the College is paid an annual Management Fee of 10% of base salaries.

9 Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to the relatively short periods to maturity of these instruments.

10 Rental accrual

Included in accounts payable is an accrual totalling \$2,197,286 for unpaid lease payments and related interest for rental of Labrador West campus. The monthly lease amount was raised from \$50,000 to \$80,000, however based on directions from the Department of Works, Services and Transportation, the College continues to pay the original lease amount. As of the financial statement date, the outcome of any possible litigation regarding this dispute could not be determined. It is possible the College could have a recovery of some portion of this accrued liability.

11 Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform to the financial presentation adopted in 2006.

Conseil scolaire francophone provincial
de Terre-Neuve-et-Labrador

FINANCIAL STATEMENTS / AUDITOR'S REPORT

June 30, 2005

AUDITORS' REPORT

To the Trustees of
Conseil scolaire francophone provincial de Terre-Neuve-
et-Labrador

We have audited the statement of financial position of the Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador as at June 30, 2005 and the related statements of current revenues, expenditures and Board equity, statement of cash flows and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

NKHK Chartered Accountants

St. John's, Newfoundland & Labrador
August 31, 2005

Conseil scolaire francophone provincial

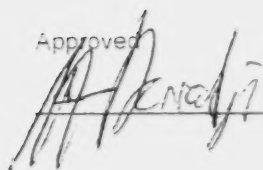
STATEMENT OF FINANCIAL POSITION

June 30, 2005

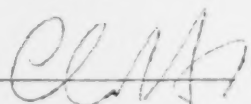
	2005	2004
Assets		
Current Assets		
Cash (Supp. Info. 1)	\$ 30,100	\$ (24,638)
Short Term Investments (Supp. Info. 2)	125,719	275,000
Accounts Receivable (Note 2)	322,911	325,619
HST Receivable	24,213	16,059
Prepaid Expenses (Supp. Info. 3)	7,899	35,944
Total Current Assets	510,842	627,984
Property and Equipment (Sch. 8)	8,268,691	6,407,848
	<u>\$ 8,779,533</u>	<u>\$ 7,035,832</u>
Liabilities and Board Equity		
Current Liabilities		
Due to the Government of Newfoundland & Labrador	-	146,539
Accounts Payable and Accrued (Note 3)	111,619	67,996
Current Maturities	-	-
Total Current Liabilities	111,619	214,535
Long-Term Debt	-	-
Severance Pay Benefits - Teaching staff (Note 5)	140,259	114,587
Severance Pay Benefits - Non-teaching staff (Note 5)	35,698	35,256
Other Employee Benefits - Vacation pay	46,490	41,665
Summer Pay Liability	264,402	262,895
Deferred Revenue	83,167	111,367
	570,016	565,770
Board Equity		
Deferred revenue relating to capital assets (Note 4)	8,243,012	6,407,848
Board Equity (Deficit)	(145,114)	(152,321)
Total Board Equity	8,097,898	6,255,527
	<u>8,779,533</u>	<u>\$ 7,035,832</u>

See Accompanying Notes

Approved



Chairperson



Director of Education

Conseil scolaire francophone provincial

Statement of Current Revenues, Expenditures and Board Equity (Deficiency)

Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Current Revenue (Schedule 1)		
Federal Government Grants	\$ 750,458	\$ 600,000
Provincial Government Grants	4,009,911	3,872,125
Donations	-	-
Ancillary Services	97,548	25,000
Miscellaneous	17,552	28,163
	<u>4 875,469</u>	<u>4 525,288</u>
Current Expenditures		
Pupil Services - federal grant	573,148	468,452
Administration - (Schedule 2)	471,035	634,718
Programs - federal grant	154,780	142,000
instruction (Schedule 3)	2,487,746	2,399,338
Operations and Maintenance (Schedule 4)	488,423	461,917
Pupil Transportation (Schedule 5)	208,619	209,637
Amortization of capital assets	317,373	166,355
Ancillary Services (Schedule 6)	83,975	-
interest Expense	-	-
Miscellaneous Expense (Schedule 7)	158	4,848
	<u>4 785,157</u>	<u>4 487,265</u>
Excess of Revenue over Expenditure before undernoted item	90,312	38,023
Transfer to Capital Fund	<u>57,433</u>	<u>19,047</u>
Excess of Expenditure over Revenue for the Period	32,879	18,976
Teacher severance pay accrual (Note 5)	<u>(25,672)</u>	<u>(12,993)</u>
Adjusted excess of Revenue over Expenditures	7,207	5,983
Board Deficiency, Beginning of Year	<u>(152,321)</u>	<u>(158,304)</u>
Fund Deficiency, End of the Year	<u>\$ (145,114)</u>	<u>\$ (152,321)</u>

See Accompanying Notes

Conseil scolaire francophone provincial

Statement of Cash Flows Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
60 Operating Activities		
011 Excess of Revenue over Expenditures (Expenditures over Revenue)	7,207	5,983
012 Changes in Non-Cash Working Capital		
013 - Short Term Investments	149,281	(175,000)
014 - Accounts Receivable	(5,445)	35,028
015 - Prepaid Expenses	28,045	(19,583)
- Deferred Charges	-	-
014 - Accounts Payable & Accrued Expenses	(102,916)	2,199
- Summer Pay Liability	1,507	9,103
015 - Amortization of fixed assets	2,853	-
016 Other - Severance pay accrual	26,114	13,421
Other - Other employee benefits	4,825	7,146
Other - Deferred revenue	(28,200)	106,569
	<u>83,271</u>	<u>(15,134)</u>
61 Financing Activities		
011 Proceeds form Bank Loans	-	-
012 Grants - Capital	2,149,683	1,917,115
013 Other Capital Revenue	-	-
014 Changes in Long-Term Debt	-	-
015 Other	-	-
	<u>2,149,683</u>	<u>1,917,115</u>
62 Investing Activities		
011 Proceeds in Sale of Capital Assets	-	-
012 Additions to Property and Equipment	(2,149,683)	(1,917,115)
013 Other-telephone system	(28,533)	-
	<u>(2,178,216)</u>	<u>(1,917,115)</u>
63 Increase (decrease) in Cash	54,738	(15,134)
64 Cash, Beginning of the Year	(24,638)	(9,504)
65 Cash, End of the Year	\$ 30,100	\$ (24,638)

See Accompanying Notes

Conseil scolaire francophone provincial

Statement of Changes in Capital Fund Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
70 Capital Receipts		
71 Proceeds from Bank Loans		
011 - School Construction	\$ -	\$ -
012 - Equipment	-	-
013 - Service Vehicles	-	-
014 - Pupil Transportation	-	-
	<hr/>	<hr/>
72 Federal Grants		
011 School Construction and Equipment	-	-
012 Other	-	-
	<hr/>	<hr/>
73 Donations		
011 - Cash Receipts	-	-
012 - Non-Cash Receipts	-	-
013 - Restricted Use	-	-
	<hr/>	<hr/>
74 Sale of Capital Assets - Proceeds		
011 - Land & 012 Buildings	-	-
013 - Equipment	-	-
014 - Service Vehicles	-	-
015 - Pupil Transportation Vehicles	-	-
	<hr/>	<hr/>
75 Other Capital Revenues		
011 - Interest on Capital Fund Investments	-	-
012 - Premiums on Debentures	-	-
013 - Recoveries of Expenditures	-	-
015 - Insurance Proceeds	-	-
016 - Native Peoples Grants	-	-
017 - Miscellaneous	-	-
- Department of Education Capital Grants	2,092,250	1,898,068
- Department of Education Info Technology Grants	-	-
- Cost sharing for Info Technology Grants	-	-
	<hr/>	<hr/>
Total Capital Receipts	<hr/> 2,092,250	<hr/> 1,898,068
77 Transfer from Reserve Account	-	-
78 Transfer to/from Current Fund	57,433	19,047
	<hr/>	<hr/>
Total	<u>\$ 2,149,683</u>	<u>\$ 1,917,115</u>

See Accompanying Notes

Conseil scolaire francophone provincial

Statement of Changes in Capital Fund (Cont'd) Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
80 <u>Capital Disbursements</u>		
81 Additions to Property & Equipment		
011 - Land and Sites	\$ -	\$ -
012 - Buildings	1,995,986	1,898,068
013 - Furniture & Equipment - School	124,644	18,154
014 - Furniture & Equipment - Other	29,053	893
015 - Service Vehicles	-	-
016 - Pupil Transportation	-	-
017 - Other - Phone system	28,533	-
	<u>2,178,216</u>	<u>1,917,115</u>
82 Principal Repayment of Long Term Debt		
011 - School Construction	-	-
012 - Equipment	-	-
013 - Service Vehicles	-	-
014 - Other	-	-
	<u>-</u>	<u>-</u>
83 Miscellaneous Disbursements		
013 - Other	-	-
	<u>-</u>	<u>-</u>
 Total Capital Disbursements	 <u>\$ 2,178,216</u>	 <u>\$ 1,917,115</u>

See Accompanying Notes

Conseil scolaire francophone provincial

Notes to the Financial Statements Year Ended June 30, 2005

1. Significant Accounting Policies:

The accompanying financial statement have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

1. Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the EIC (Education Investment Corporation) are recorded as capital revenues.
2. Fixed asset additions are recorded at full cost in the capital fund.
3. Effective July 1, 2003, the District commenced the amortization of its capital assets. A retroactive calculation was performed based on the straight-line method based on the following number of years:
 - School buildings - 40 years
 - Furniture - 10 years
 - Equipment - 10 years
 - Computers - 4 years
4. Funding relating to capital assets is deferred and amortized according to the same method used for the assets to which it relates.
5. The School board has acquired, in certain cases, land for its buildings without cost. In other cases, the board obtained authorization to use the land without ownership, as long as the properties are used for educational purposes. In the case where the land is board property, value determinations were not possible, meaning that the fair market value was not recorded.

Conseil scolaire francophone provincial

Notes to the Financial Statements Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
2.	<u>Accounts Receivable</u>		
	<u>Current</u>		
11	131 Provincial Government	\$ 265,602	\$ 262,895
	132 Transportation	4,489	
	133 Federal Government	24,345	30,663
	136 Other School Districts	-	-
	137 Rent	22,419	-
	138 Interest	544	584
	139 Travel Advances and Misc.	5,250	31,477
	<u>Capital</u>		
11	231 EIC - Construction Grants	262	-
	233 Local Contributions		
	234 Other School Districts		
	235 Other		
		<u>322,911</u>	<u>325,619</u>

Conseil scolaire francophone provincial

Notes to the Financial Statements Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
3.	<u>Accounts Payable and Accrued</u>		
	<u>Current</u>		
21	111 Trade Payable	\$ 59,624	\$ 18,012
	112 Accrued - Liabilities	25,115	23,494
	113 - Interest	-	-
	114 - Wages	26,880	26,490
	115 Payroll Deductions		
	116 Retail Sales Tax		
	117 Deferred Grants	-	-
	118 Other	-	-
	<u>Capital</u>		
21	211 Trade Payable		
	212 Accrued - Liabilities		
	213 - Interest		
	217 Deferred Grants		
	218 Other		
		<u>111,619</u>	<u>67,996</u>

Conseil scolaire francophone provincial

Notes to the Financial Statements Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
4. Deferred revenue related to fixed assets - beginning of year	\$ 6,407,848	\$ 4,657,089
Add:		
Transfer of Operating Funds to Capital Fund Grants	57,433	19,047
- EIC - Contribution for Capital Construction	-	-
- Other -		
Capital Projects funded by EIC but paid directly to other sources on behalf of the District	2,092,251	1,898,067
Donations		
Proceeds from the sale of Capital Assets		
- Land		
- Buildings		
- Equipment		
- Vehicles		
- Other		
Interest on Capital Fund Investments		
Recoveries of Expenditures		
Insurance Proceeds - Capital		
Miscellaneous		
	<u>2,149,684</u>	<u>1,917,114</u>
Deduct Adjustments		
Amortization of Investment in Capital Assets	314,520	166,355
Cost of assets sold		
- Land		
- Buildings		
- Equipment		
- Vehicles		
- Other		
	<u>-</u>	<u>-</u>
	<u>314,520</u>	<u>166,355</u>
Other	<u>-</u>	<u>-</u>
23 221 Deferred revenue relating to capital assets -end of year	<u>\$ 8,243,012</u>	<u>\$ 6,407,848</u>

Conseil scolaire francophone provincial

Notes to the Financial Statements Year Ended June 30, 2005

5. Accrued Severance Leave

The amount of \$25,672 for teachers' severance costs and the amount of \$442 for non-teaching staff severance costs are included in expenses. The amount of \$140,259 for teachers' severance costs and the amount of \$35,698 for non-teaching staff severance costs for a total of \$179,957 are included in the liabilities.

The adjustment for teachers' severance pay is required by the Department of Education of the Government of Newfoundland and Labrador and has no impact on the operation of the School Board. No account receivable is included in the accounts to offset this liability.

The accrued severance leave for non-teaching personnel is funded out of the board's regular operating grants.

Conseil scolaire francophone provincial

Current Revenues
Year Ended June 30, 2005

	2005	2004
<u>Current Revenues</u>		
Federal Government Grants		
Regular Operating Grants	\$ 750,458	\$ 600,000
32 010 Provincial Government Grants		
011 Regular Operating Grants	\$ 1,249,593	\$ 1,260,493
Amort. of deferred rev for capital assets	314,520	\$ 166,355
016 Special Grants		
- French Immersion	-	-
- Official Language Monitor	38,770	47,463
- French Language recuperation	-	-
- Textbook credit allocation	213	588
- Communication Tech	-	-
- Other	11,982	34,496
Salaries and Benefits		
017 - Superintendent and Asst. Supts.	69,960	-
021 - Regular Teachers	2,037,083	2,057,794
022 - Substitute Teachers	68,360	63,597
- Student Assistants	19,180	34,362
030 Pupil Transportation	-	-
031 - Board Owned	-	-
032 - Contracted	200,250	206,977
033 - Handicapped	-	-
	<u>4,009,911</u>	<u>3,872,125</u>
33 010 Donations		
012 Cash Receipts	-	-
013 Non Cash Receipts	-	-
014 Restricted Use	-	-
	<u>-</u>	<u>-</u>
34 010 Ancillary Services		
011 Revenues from Rental of Residences	-	-
021 Revenues from Rental of Schools and Facilities	72,548	-
031 Cafeterias	-	-
032 Other - ARCO	25,000	25,000
	<u>97,548</u>	<u>25,000</u>

Schedule 1 (Cont'd)

Conseil scolaire francophone provincial

Current Revenues
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
35 010 Miscellaneous		
011 Interest on Investments	\$ 2,902	\$ 1,971
012 Bus Charters	-	-
021 Recoveries of Expenditures	3,575	8,363
031 Revenues from Other School Boards	-	-
051 Insurance Proceeds	-	-
061 Bilingual Education Revenue	-	-
071 Operating Rev. from Native Peoples Grant	-	-
081 Miscellaneous Federal Grants	-	-
091 Textbooks	-	-
092 Other		
- Mining Company Grants	11,035	17,529
- Tutoring for tuition	-	300
- Sundry	40	-
	<u>17,552</u>	<u>28,163</u>
Total Current Revenues	<u>\$ 4,875,469</u>	<u>\$ 4,525,288</u>

Schedule 2

Conseil scolaire francophone provincial

Administration Expenditures
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
51 Salaries and Benefits		
011 - Superintendents and Assistant Superintendents	197,229	197,205
012 - Board Office Personnel	94,801	265,103
013 Office Supplies	5,595	6,026
014 Replacement Furniture and Equipment	-	603
015 Postage	5,399	4,190
016 Telephone	12,706	15,845
017 Office Equipment Rentals and Repairs	4,428	7,535
018 Bank Charges	2,199	2,954
019 Electricity	-	-
021 Fuel	-	-
022 Insurance	562	-
023 Repairs and Maintenance - Office Building	-	-
024 Travel	22,065	26,801
025 Board Meeting Expenses	46,965	36,107
026 Election Expenses	-	-
027 Professional Fees	15,070	13,498
028 Advertising - Recrutement	31,799	13,314
029 Membership Dues	12,020	11,813
031 Municipal Service Fees	-	-
032 Rental of Office Space	7,796	31,185
033 Relocation Expenses	11,550	-
034 Miscellaneous	-	1,638
035 Payroll Tax	-	-
Training	\$ 851	\$ 901
Total Administration Expenditures	<u>\$ 471,035</u>	<u>\$ 634,718</u>

Schedule 3

Conseil scolaire francophone provincial

Instruction Expenditures

Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
52	10 Instructional Salaries (Gross)		
11	Teachers' Salaries - Regular	\$ 1,722,973	\$ 1,743,261
12	- Substitute	55,932	43,330
13	- Board Paid	15,235	12,075
14	Augmentation	-	-
15	Employee Benefits	282,863	290,763
16	School Secretaries - Salaries & Benefits	105,552	92,006
17	Payroll Tax	37,048	36,143
18	Other - Sal. & Ben. - program coord.	96,323	-
	Other - Sal. & Ben. - student asst	13,186	26,573
	Other - Sal. & Ben. - Labrador	-	6,438
		<u>2,329,112</u>	<u>2,250,589</u>
52	40 Instructional Materials		
41	General Supplies	12,766	11,689
42	Library Resource Materials	-	-
43	Teaching Aids	21,702	18,142
44	Textbooks	-	379
		<u>34,468</u>	<u>30,210</u>
52	60 Instructional Furniture and Equipment		
61	Replacement	11,168	-
62	Rentals and Repairs	8,596	6,850
		<u>19,764</u>	<u>6,850</u>
50	80 Instructional Staff Travel		
81	Program Co-ordinators	25,249	22,527
82	Teachers' Travel	16,001	14,740
83	Inservice and Conferences	1,112	5,053
		<u>44,362</u>	<u>42,320</u>
52	90 Other Instructional Costs		
91	French Monitor Program	42,952	52,406
92	Miscellaneous	1,183	3,355
	Special Needs assessments	7,553	6,530
	Kinderstart	8,352	7,078
		<u>60,040</u>	<u>69,369</u>
	Total Instruction Expenditures	<u>\$ 2,487,746</u>	<u>\$ 2,399,338</u>

Schedule 4

Conseil scolaire francophone provincial

Operations and Maintenance Expenditures - Schools
Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
53	011 Salaries - Janitorial	\$ 172,135	\$ 145,720
	012 - Maintenance	31,487	9,942
	013 Payroll Tax	-	-
	014 Electricity	112,602	92,028
	015 Fuel	-	-
	016 Municipal Service Fee	7,941	8,283
	017 Telephone	24,511	21,315
	Communications - Distance education	806	1,571
	018 Vehicle Operating and Travel	9,680	178
	019 Janitorial Supplies	13,270	11,932
	021 Janitorial Equipment	885	2,284
	022 Repairs and Maintenance - Buildings	40,450	30,769
	023 - Equipment	4,164	12,640
	024 Contracted Services - Janitorial	260	500
	025 Snow Clearing	44,811	25,428
	026 Rentals	22,399	95,938
	027 Other (Miscellaneous)	<u>3,022</u>	<u>3,389</u>
	Total Operations and Maintenance	<u>\$ 488,423</u>	<u>\$ 461,917</u>

Schedule 5

Conseil scolaire francophone provincial

Pupil Transportation Expenditure
Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
54	010 Operation and Maintenance of Board		
	Owned Fleet	\$ -	\$ -
	011 Salaries and Benefits- Administration		
	012 - Drivers and Mechanics	-	-
	013 Payroll Tax	-	-
	014 Debt Repayment- Interest	-	-
	015 - Principal	-	-
	016 Bank Charges	-	-
	017 Gas and Oil	-	-
	018 Licenses	-	-
	019 Insurance	-	-
	021 Repairs and Maintenance - Fleet	-	-
	022 - Building	-	-
	023 Tires and Tubes	-	-
	024 Heat and Light	-	-
	025 Municipal Service	-	-
	026 Snow Clearing	-	-
	027 Office Supplies	-	-
	028 Rent	-	-
	029 Travel	-	-
	031 Professional Fees	-	-
	032 Miscellaneous	-	-
	033 Telephone	-	-
	034 Vehicle Leases	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
54	040 Contracted Services		
	041 Regular Transportation	208,619	209,637
	042 Handicapped	-	-
		<u>208,619</u>	<u>209,637</u>
	Pupil Transportation Expenditures	<u>\$ 208,619</u>	<u>\$ 209,637</u>

Conseil scolaire francophone provincial

Ancillary Services and Miscellaneous Expenses Year Ended June 30, 2005

Schedule 6

Ancillary Services

The Board owns and operates the following ancillary services:

		<u>2005</u>	<u>2004</u>
#	Ancillary Services		
011	Operation of Teachers' Residences	\$ -	\$ -
031	Cafeterias	-	-
032	Other - Community Centre operations	83,875	-
032	Other - Environmental Centre	-	-
		<u>\$ 83,875</u>	<u>\$ -</u>

Schedule 7

Miscellaneous Expenses

The Board has incurred the following miscellaneous expenses:

	Other	158	4,848
		<u>158</u>	<u>4,848</u>
#	011 Miscellaneous Expenses	<u>\$ 158</u>	<u>\$ 4,848</u>

Conseil scolaire francophone provincial

Details of Property and Equipment
Year Ended June 30, 2005

	Cost 2004	Additions 2005	Cost 2005	Accumulated Amortization 2005	Net book value 2005	Net book value 2004
12 210 Land and Sites						
211 Land and Sites	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12 220 Buildings						
221 Schools	9,055,451	1,995,986	11,051,437	3,025,147	8,026,290	6,291,952
222 Administration	-	-	-	-	-	-
223 Residential	-	-	-	-	-	-
224 Recreational	-	-	-	-	-	-
225 Other	-	-	-	-	-	-
	<u>9,055,451</u>	<u>1,995,986</u>	<u>11,051,437</u>	<u>3,025,147</u>	<u>8,026,290</u>	<u>6,291,952</u>
12 230 Furniture and Equip.						
231 Schools	249,387	124,645	374,032	197,880	176,152	85,414
232 Administration	155,656	57,585	213,241	146,992	66,249	30,482
233 Residential	-	-	-	-	-	-
234 Recreation	-	-	-	-	-	-
235 Other	-	-	-	-	-	-
	<u>405,043</u>	<u>182,230</u>	<u>587,273</u>	<u>344,872</u>	<u>242,401</u>	<u>115,896</u>
12 240 Vehicles						
241 Service Vehicles	-	-	-	-	-	-
12 250 Pupil Transportation						
251 Land	-	-	-	-	-	-
252 Building	-	-	-	-	-	-
253 Vehicles - Buses	-	-	-	-	-	-
254 - Service	-	-	-	-	-	-
255 Equipment	-	-	-	-	-	-
256 Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
12 260 Misc. Capital Assets						
261 Other	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Property and Equipment	<u>\$ 9,460,494</u>	<u>\$ 2,178,216</u>	<u>\$ 11,638,710</u>	<u>\$ 3,370,019</u>	<u>\$ 8,268,691</u>	<u>\$ 6,407,848</u>

Schedule 9

Conseil scolaire francophone provincial

Details of Long Term Debt
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
22 210 Loans Other than Pupil Transportation	<u>\$</u>	<u>\$</u>
Ref. #		
211 Bank Loans		
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
Total 211	<u>-</u>	<u>-</u>
212 Mortgages		
___ Repayable \$ _____ annually, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
Total 212	<u>-</u>	<u>-</u>
213 Debentures		
___ Repayable \$ _____ annually, maturing _____	-	-
___ Repayable \$ _____ monthly, maturing _____	-	-
Total 213	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>
215 Less Current Maturities	<u>-</u>	<u>-</u>
Total Loans Other Than Pupil Transportation	<u>-</u>	<u>-</u>

Schedule 9 (Cont'd)

Conseil scolaire francophone provincial

Details of Long Term Debt
Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
22	220 Loans - Pupil Transportation		
	Ref. #		
	221 Vehicle Bank Loans		
	Repayable \$ monthly, maturing	\$ -	\$ -
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Total 221	-	-
	222 Land, Buildings and Equipment Bank Loans		
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Repayable \$ monthly, maturing	-	-
	Total 222	-	-
	Subtotal	-	-
	223 Less Current Maturities	-	-
	Total Loans - Pupil Transportation	-	-
	Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>

Schedule 9A

Conseil scolaire francophone provincial

Summary of Long Term Debt
Year Ended June 30, 2005

Description	Ref#	Rate	Loans		Principal Repayment for Period	Balance End of Period
			Balance Beginning of Period	Obtained During Period		
A) School Construction			\$ -	\$ -	\$ -	\$ -
B) Equipment			-	-	-	-
C) Service Vehicles			-	-	-	-
D) Other						
Integrated Education Council 8% - 9 3/4%			-	-	-	-
E) Pupil Transportation			-	-	-	-
Total Loans			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 9B

Conseil scolaire francophone provincial

Schedule of Current Maturities
Year Ended June 30, 2005

Description	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
A) School Construction	\$ -	\$ -	\$ -	\$ -	\$ -
B) Equipment	-	-	-	-	-
C) Service Vehicles	-	-	-	-	-
D) Other	-	-	-	-	-
E) Pupil Transportation	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Conseil scolaire francophone provincial

Schedule of Interest Expense
Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
56 010	<u>Description</u>		
012	Capital		
	School Construction	\$ -	\$ -
	IEC	-	-
	Equipment	-	-
	Service Vehicles	-	-
	Other		
	Energy Management	-	-
	Total Capital	-	-
013	Current - Operating Loans	-	-
014	- Supplier Interest	-	-
	- Charges	-	-
	Total Current	-	-
	Total Interest Expense	<u>\$ -</u>	<u>\$ -</u>

Conseil scolaire francophone provincial

Supplementary Information
Year Ended June 30, 2005

		<u>2005</u>	<u>2004</u>
1.	<u>Cash</u>		
	<u>Current</u>		
11 110	Cash on Hand and in Bank	\$ -	\$ -
111	Cash on Hand	-	-
112	Bank - Current	30,100	(24,638)
113	- Savings	-	-
114	- Teachers' Payroll	-	-
115	- Non Teachers' Payroll	-	-
116	- Coupon (Debenture)	-	-
117	- Other (Petty Cash)	-	-
		<u>30,100</u>	<u>(24,638)</u>
	<u>Capital</u>		
11 210	Cash on Hand and in Bank	-	-
211	Cash on Hand	-	-
212	Bank - Current	-	-
213	- Savings	-	-
214	- Other	-	-
		<u>-</u>	<u>-</u>
	Total Cash on Hand and in Bank	<u>30,100</u>	<u>(24,638)</u>
2.	<u>Short Term Investments</u>		
	<u>Current</u>		
11 121	Term Deposits	125,719	275,000
122	Canada Savings Bonds	-	-
123	Other	-	-
	- Canada Treasury Bills	-	-
	- Mutual Funds	-	-
	- Balance in Broker account	-	-
	- Guaranteed Investment Certificate	-	-
	<u>Capital</u>		
11 221	Term Deposits	-	-
222	Canada Savings Bonds	-	-
223	Other	-	-
		<u>-</u>	<u>-</u>
	Total Short Term Investments	<u>\$ 125,719</u>	<u>\$ 275,000</u>

Conseil scolaire francophone provincial

Supplementary Information
Year Ended June 30, 2005

		2005	2004
3.	<u>Prepaid Expenses</u>		
	<u>Current</u>		
11	141 Insurance		
	142 Municipal Service Fees	\$ -	\$ -
	143 Supplies	-	-
	144 Other		
	- Building Leases - July month	-	9 931
	- Workers' Compensation Commission	7 899	13 616
	- Salaries	-	3 631
	- Teachers in-service - advance	-	876
	- Airplane Tickets	-	1 520
	- Board meetings - advance	-	1 804
	- Moving expenses - advance	-	1 868
	- Other	-	2 698
		-	-
	<u>Capital</u>		
11	241 Other		
		<u>\$ 7 899</u>	<u>\$ 35 944</u>

**CONSUMER PROTECTION FUND FOR
PREPAID FUNERAL SERVICES**

FINANCIAL STATEMENTS

31 MARCH 2006



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Minister of Government Services
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Consumer Protection Fund for Prepaid Funeral Services as at 31 March 2006 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
30 May 2006

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES

BALANCE SHEET

31 March

2006

2005

ASSETS

Current

Cash	\$ 732	\$ -
Accounts receivable	3,425	1,276
	<u>\$ 4,157</u>	<u>\$ 1,276</u>

LIABILITIES AND DEFICIT

Current

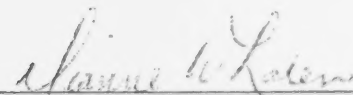
Bank indebtedness (Note 2)	\$ 158,580	\$ 159,912
Accounts payable and accrued liabilities	2,050	3,125
	<u>160,630</u>	<u>163,037</u>


Liability for claims arising from prepaid funeral services contracts (Note 3)	<u>206,804</u>	<u>229,324</u>
	<u>367,434</u>	<u>392,361</u>

Deficit	<u>(363,277)</u>	<u>(391,085)</u>
	<u>\$ 4,157</u>	<u>\$ 1,276</u>

See accompanying notes

Signed on behalf of the Fund:


Minister of Government Services


Deputy Minister of Government Services

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March

2006

2005

REVENUES

Assessments (Note 4)	\$ 37,933	\$ 37,956
----------------------	-----------	-----------

EXPENSES

Claims arising from prepaid funeral services contracts (Note 3)	-	1,161
Interest and bank charges	7,405	5,681
Professional services	2,720	3,166

	10,125	10,008
--	--------	--------

Excess of revenues over expenses	27,808	27,948
----------------------------------	--------	--------

Deficit, beginning of year	(391,085)	(419,033)
----------------------------	-----------	-----------

Deficit, end of year	\$ (363,277)	\$ (391,085)
----------------------	--------------	--------------

See accompanying notes

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES**STATEMENT OF CASH FLOWS****For the Year Ended 31 March****2006****2005****Cash flows from operating activities**

Excess of revenues over expenses	\$ 27,808	\$ 27,948
Change in non-cash working capital	(3,224)	1,180
	<u>24,584</u>	<u>29,128</u>

Cash flows from financing activities

Liability for claims arising from prepaid funeral services contracts (Note 3)	-	1,161
Payment of claims arising from prepaid funeral services contracts (Note 3)	(22,520)	(52,013)
	<u>(22,520)</u>	<u>(50,852)</u>

Net increase (decrease) in cash and cash equivalents 2,064 (21,724)

Cash and cash equivalents, beginning of year (159,912) (138,188)

Cash and cash equivalents, end of year \$ (157,848) \$ (159,912)

Cash and cash equivalents include:

Cash	\$ 732	\$ -
Bank indebtedness	(158,580)	(159,912)
	<u>\$ (157,848)</u>	<u>\$ (159,912)</u>

See accompanying notes

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Consumer Protection Fund for Prepaid Funeral Services (the Assurance Fund) was established under the *Prepaid Funeral Services Act* for the purpose of paying in whole or in part, claims arising out of a prepaid funeral contract against a person who holds or held a licence under the *Act*.

1. Significant accounting policies

These financial statements have been prepared by the Assurance Fund's management in accordance with Canadian generally accepted accounting principles.

2. Bank indebtedness

The Assurance Fund has a \$200,000 revolving demand credit facility guaranteed by the Province. Interest is charged at the bank's prime rate. As at 31 March 2006, \$158,580 (2005 - \$159,912) had been drawn down on this line of credit.

3. Liability for claims arising from prepaid funeral services contracts

The liability for claims arising from prepaid funeral services contracts resulted from the failure of a funeral home in Port aux Basques in November 2000 where 88 customers had purchased prepaid funerals totalling \$492,790. An additional claim has also been recognized for a customer who was not included in the original liability. During the year 4 claims (2005 - 10) relating to these prepaid funeral services contracts were paid by the Assurance Fund. Details of the change in the liability are as follows:

	<u>2006</u>	<u>2005</u>
Liability, beginning of year	\$ 229,324	\$ 280,176
Additional claims arising during the year	-	1,161
Payment of claims during the year	(22,520)	(52,013)
Liability, end of year	\$ 206,804	\$ 229,324

All payments made to funeral homes which subsequently performed the contracted services are net of Harmonized Sales Tax (HST), pending a ruling from the Canada Revenue Agency (CRA). The Province is in the process of determining whether the closed funeral home in Port aux Basques had submitted HST to the CRA.

CONSUMER PROTECTION FUND FOR PREPAID FUNERAL SERVICES
NOTES TO FINANCIAL STATEMENTS
31 March 2006

4. Assessments

A seller of prepaid funeral services is required to pay into the Assurance Fund between 1% and 5% of the cost of each prepaid funeral contract depending on the amount held in trust. During the year, \$37,933 (2005 - \$37,956) was paid to the Assurance Fund.

5. Financial instruments

The Assurance Fund's financial instruments recognized on the balance sheet consist of cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

6. Related party transactions

The Assurance Fund is administered by employees of the Department of Government Services. The costs of administration are paid directly by the Department and are not reflected in these financial statements. The costs of administration are offset by licence fees collected by the Department.

7. Income taxes

The Assurance Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.



Financial Statements of

**CREDIT UNION DEPOSIT
GUARANTEE CORPORATION**

December 31, 2005

Member of
Deloitte Touche Tohmatsu

Auditors' Report

To the Board of Directors of
Credit Union Deposit Guarantee Corporation

We have audited the balance sheet of Credit Union Deposit Guarantee Corporation as at December 31, 2005 and the statements of earnings and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 22, 2006

CREDIT UNION DEPOSIT GUARANTEE CORPORATION**Statement of Earnings and Fund Balance**

Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
REVENUE		
Assessments on credit unions	776,344	714,315
Interest	135,455	118,665
Bonding insurance	227,214	234,889
Other	8,370	7,900
	<u>1,147,383</u>	<u>1,075,769</u>
EXPENSES		
Salaries and benefits	371,112	339,092
Bonding insurance	166,681	161,662
Travel	38,310	56,920
Meetings	37,690	19,725
Rent	29,603	29,918
Office and administration	26,799	29,001
Legal	21,471	102,903
Vehicle	15,056	17,627
Training	14,274	29,421
Amortization	10,983	15,369
Directors' fees	9,075	5,845
Advertising and promotion	3,029	9,942
Loss on disposal of capital assets	1,471	-
Insurance	1,037	1,029
Membership fees	862	1,305
	<u>747,453</u>	<u>819,759</u>
NET EARNINGS	<u>399,930</u>	<u>256,010</u>
DEPOSIT GUARANTEE FUND BALANCE,		
BEGINNING OF YEAR	5,614,284	5,358,274
ASSISTANCE TO CREDIT UNIONS	(720,325)	-
DEPOSIT GUARANTEE FUND BALANCE, END OF YEAR	<u>5,293,889</u>	<u>5,614,284</u>

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Balance Sheet

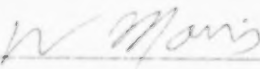
December 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
Cash	154,041	37,157
Investments (Note 3)	5,299,080	5,689,353
Receivables (Note 4)	63,464	50,512
Prepaid expenses	5,738	5,134
Capital assets (Note 5)	23,750	39,222
	<u>5,546,073</u>	<u>5,821,378</u>
LIABILITIES		
Accounts payable and accrued liabilities	252,184	207,094
FUND BALANCE		
Deposit guarantee fund balance	<u>5,293,889</u>	<u>5,614,284</u>
	<u>5,546,073</u>	<u>5,821,378</u>

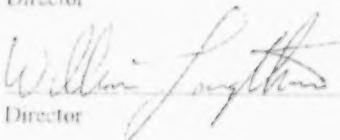
Contingency (Note 7)

Commitments (Note 8)

APPROVED BY THE BOARD:



Director



Director

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Cash Flows

Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
OPERATING ACTIVITIES		
Net earnings	399,930	256,010
Adjustments for:		
Amortization	10,983	15,369
Loss on disposal of capital assets	1,471	-
Increase in receivables	(12,952)	30,649
Increase in prepaids	(604)	(1,060)
Increase in accounts payable and accrued liabilities	45,090	75,365
	<u>443,918</u>	<u>376,333</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,582)	(2,663)
Proceeds on disposal of capital assets	5,600	-
Purchase of investments	(36,642,369)	(55,479,782)
Redemption of investments	37,032,642	55,116,106
	<u>393,291</u>	<u>(366,339)</u>
FINANCING ACTIVITY		
Assistance to other credit unions	(720,325)	-
INCREASE IN CASH	116,884	9,994
CASH, BEGINNING OF YEAR	37,157	27,163
CASH, END OF YEAR	<u>154,041</u>	<u>37,157</u>

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Notes to the Financial Statements

December 31, 2005

1. DESCRIPTION OF BUSINESS

The Credit Union Deposit Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 176 of the Credit Union Act.

The Corporation guarantees the deposits of members of credit unions in the Province of Newfoundland and Labrador. This guarantee is supported by the investments held by the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Revenue recognition

The Corporation recognizes assessment revenue based on a percentage of insured deposits of individual credit unions operating within the Province of Newfoundland and Labrador. Interest revenue is recognized based on the investment interest collected and accrued during the year, and bonding revenue is recognized based on a percentage of individual credit unions' assets plus a 20% administrative charge.

Assistance to credit unions

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors have assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent upon future events. The amount of actual assistance paid, and future possible assistance is disclosed in the financial statements.

Cash

Cash consists of balances with banks.

Investments

Investments are recorded at cost. When, in the opinion of management, a permanent decline in the value of the investments has occurred, the carrying value is adjusted accordingly.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis at rates which will reduce original cost to estimated residual value over the useful life of the assets.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Severance pay

Severance pay is accrued for all employees for whom the right to such compensation is vested.

No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of service.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

<u>Issuer</u>	<u>Type</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Maturity Value \$</u>	<u>Cost \$</u>
Credit Union Central of Nova Scotia	Shares			1,000	1,000
Newfoundland and Labrador Credit Union Ltd.	Shares			100	100
				1,100	1,100
Bank of Montreal	Bankers Acceptance	3.21%	1/23/2006	1,500,000	1,491,990
Bank of Montreal	Bankers Acceptance	3.09%	1/6/2006	3,825,000	3,805,990
				5,326,100	5,299,080

4. RECEIVABLES

	<u>2005 \$</u>	<u>2004 \$</u>
Accrued interest	22,728	4,881
Other	40,736	45,631
	63,464	50,512

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Notes to the Financial Statements

December 31, 2005

5. CAPITAL ASSETS

	Rate	Cost	2005	2004	
			Accumulated	Net Book	Net Book
			Amortization	Value	Value
		\$	\$	\$	\$
Vehicles	30%	27,999	21,613	6,386	18,246
Furniture and equipment	20%	24,643	20,748	3,895	4,868
Computer equipment	30%	64,117	50,648	13,469	16,108
		116,759	93,009	23,750	39,222

6. INCOME TAXES

The Corporation has the following non-capital losses available which can be used to reduce future years' taxable income.

<u>Year of Expiry</u>	<u>Amount</u>
	\$
2006	163,796
2007	81,018
2008	73,257
2009	319,521
2010	463,065
2011	438,667
2015	362,558
	<u>1,901,882</u>

The potential income tax benefit associated with those losses has not been recognized in these financial statements.

7. CONTINGENCY

The Corporation has provided a deficiency guarantee to Eagle River Credit Union Limited in respect to certain long-term loans outstanding in its accounts which arose of the acquisition of the net assets of Labrador Savings Credit Union Limited.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Notes to the Financial Statements

December 31, 2005

8. COMMITMENTS

The Corporation has entered into a lease agreement for office space which expires June 30, 2011. The amount of the annual rent payable is \$29,517.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash, investments, receivables, and accounts payable and accrued liabilities approximate their fair value due to their relatively short periods to maturity.

DIRECTOR OF SUPPORT ENFORCEMENT

FINANCIAL STATEMENTS

31 MARCH 2006



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

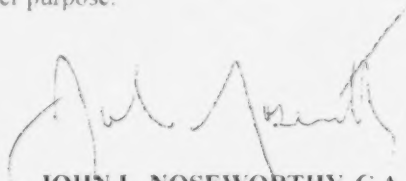
To the Director of Support Enforcement
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Director of Support Enforcement as at 31 March 2006 and the statement of receipts and disbursements for the year then ended. These financial statements have been prepared to meet the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act*. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Director of Support Enforcement as at 31 March 2006 and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Director of Support Enforcement and the Government of Newfoundland and Labrador to meet their information needs under Section 9 of the *Support Orders Enforcement Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.



JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
28 June 2006

DIRECTOR OF SUPPORT ENFORCEMENT
BALANCE SHEET
31 March

2006

2005

ASSETS


Cash	\$ 436,009	\$ 344,892
Accounts receivable (Note 2)	20,221,763	21,177,318
Other receivables (Note 3)	9,421	9,828
	<u>\$ 20,667,193</u>	<u>\$ 21,532,038</u>

LIABILITIES

Accounts payable (Note 4)	\$ 20,648,102	\$ 21,512,686
Other payables (Note 5)	19,091	19,352
	<u>\$ 20,667,193</u>	<u>\$ 21,532,038</u>

See accompanying notes

Signed:


 Director

DIRECTOR OF SUPPORT ENFORCEMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended 31 March

2006

2005

RECEIPTS

Regular support	\$ 23,469,923	\$ 21,478,650
Out-of-system support	540,424	553,520
	<u>24,010,347</u>	<u>22,032,170</u>

DISBURSEMENTS

Regular support	23,084,190	21,184,412
Out-of-system support	540,424	553,520
Other payments	294,616	286,225
	<u>23,919,230</u>	<u>22,024,157</u>

Excess of receipts over disbursements	91,117	8,013
---------------------------------------	--------	-------

Cash, beginning of year	344,892	336,879
-------------------------	---------	---------

Cash, end of year	\$ 436,009	\$ 344,892
-------------------	------------	------------

See accompanying notes

DIRECTOR OF SUPPORT ENFORCEMENT
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Director of Support Enforcement operates under the authority of the *Support Orders Enforcement Act*. Under this *Act*, the Director is responsible for enforcing court ordered support payments and for acting on behalf of the Attorney General in matters arising pursuant to the *Reciprocal Enforcement of Support Orders Act*.

1. Basis of accounting

These financial statements have been prepared by the Director in accordance with the significant accounting policies set out below to meet the information needs of the Director of Support Enforcement and the Government of Newfoundland and Labrador under Section 9 of the *Support Orders Enforcement Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Director are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Director of Support Enforcement, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items.

(b) Assets and liabilities

Assets are comprised of amounts received or receivable from debtors while liabilities represent the corresponding amount due to creditors.

(c) Receipts and disbursements

Receipts are recorded when amounts are received from debtors and disbursements are recorded when amounts are paid to creditors. Amounts paid directly to creditors by debtors are recorded as out-of-system support while amounts received by the Director of Support Enforcement are recorded as regular support. Amounts refunded to debtors or remitted to the Province are recorded as other payments.

DIRECTOR OF SUPPORT ENFORCEMENT
NOTES TO FINANCIAL STATEMENTS
31 March 2006

2. Accounts receivable

Accounts receivable is comprised of amounts owing from debtors on registered support orders. The receivables are classified as follows:

	2006	2005
Unenforceable support orders		
Debtor out of Province – reciprocal enforcement support orders	\$ 8,383,953	\$ 8,564,432
Debtor in receipt of social assistance	3,941,969	3,712,460
Stay of enforcement in place	2,254,364	1,868,060
	14,580,286	14,144,952
Enforceable support orders	5,641,477	7,032,366
	\$ 20,221,763	\$ 21,177,318

3. Other receivables

Other receivables \$9,421 (2005 - \$9,828) represent payments made to creditors when the corresponding debtor cheque was not negotiable or the payment was made in error.

4. Accounts payable

Accounts payable is comprised of amounts owing to creditors in accordance with registered support orders. The payables are classified as follows:

	2006	2005
Unenforceable support orders		
Debtor out of Province – reciprocal enforcement support orders	\$ 8,383,953	\$ 8,564,432
Debtor in receipt of social assistance	3,941,969	3,712,460
Stay of enforcement in place	2,254,364	1,868,060
	14,580,286	14,144,952
Enforceable support orders	6,067,816	7,367,734
	\$ 20,648,102	\$ 21,512,686

DIRECTOR OF SUPPORT ENFORCEMENT
NOTES TO FINANCIAL STATEMENTS
31 March 2006

5. Other payables

Other payables of \$19,091 (2005 - \$19,352) represent funds which have not been assigned to any debtor account. These amounts may eventually be paid to the Newfoundland Exchequer Account.

6. Related party transactions

The Director of Support Enforcement operates as a division of the Department of Justice. During the year the Director paid approximately \$2.7 million (2005 - \$2.8 million) to the Department of Human Resources, Labour and Employment related to support payments collected on behalf of individuals receiving social assistance.

7. Financial instruments

The Director's financial instruments recognized on the balance sheet consist of cash, accounts receivable, other receivables, accounts payable and other payables. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

8. Income taxes

The Director of Support Enforcement operates as a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

DISCOVERY HEALTH CARE FOUNDATION INC.

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Board of Directors of the
Discovery Health Care Foundation Inc.

We have audited the balance sheet of the **Discovery Health Care Foundation Inc.** as at March 31, 2006 and the statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Walters HOFFE
Chartered Accountants

Gander, Newfoundland

June 5, 2006

DISCOVERY HEALTH CARE FOUNDATION INC.

Balance Sheet

March 31, 2006	2006	2005
Assets		
Current assets:		
Cash	\$ 152,652	116,760
Receivables	<u>919</u>	<u>2,610</u>
Total current assets	153,571	119,370
Property, plant and equipment (Note 3)	<u>840</u>	<u>1,211</u>
	<u>\$ 154,411</u>	<u>120,581</u>
Liabilities		
Current liabilities:		
Payables and accruals	\$ 27,944	23,351
Payable to Eastern Regional Integrated Health Authority re capital donations	<u>-</u>	<u>80,074</u>
Total current liabilities	27,944	103,425
Net assets		
Net assets, per accompanying statement	<u>126,467</u>	<u>17,156</u>
	<u>\$ 154,411</u>	<u>120,581</u>

See accompanying notes

Approved:

Maurice Lewis Chairperson

Christina Secretary-Treasurer

Subject to the accompanying Auditors' Report

DISCOVERY HEALTH CARE FOUNDATION INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2006	2006	2005
Revenue:		
Donations	\$ 227,615	227,033
50/50 lotto	6,572	6,512
Interest	<u>1,998</u>	<u>3,493</u>
	<u>236,185</u>	<u>237,038</u>
Expenditure:		
Amortization	371	251
Donations (Note 4)	29,679	82,743
Fundraising projects	13,834	14,143
Miscellaneous	1,982	2,162
Office	503	1,056
Travel, conferences and meetings	2,778	1,858
Wages and benefits	<u>77,727</u>	<u>78,385</u>
	<u>126,874</u>	<u>181,098</u>
Excess of revenue over expenditure	109,311	55,940
Net assets, beginning	<u>17,156</u>	<u>(38,784)</u>
Net assets, ending	<u>\$ 126,467</u>	<u>17,156</u>

See accompanying notes

Subject to the accompanying Auditors' Report

DISCOVERY HEALTH CARE FOUNDATION INC.

Statement of Cash Flow

Year ended March 31, 2006	2006	2005
Cash flows:		
Operations		
Excess of revenue over expenditure	\$ 109,311	55,940
Amortization	<u>371</u>	<u>251</u>
	109,682	56,191
Changes in:		
Receivables	1,691	(669)
Payables and accruals	4,593	10,080
Payable to Eastern Regional Integrated Health Authority re capital donations	<u>(80,074)</u>	<u>(51,582)</u>
	35,892	13,920
Investing		
Purchase of property, plant and equipment	<u>-</u>	<u>(1,200)</u>
Net cash provided	35,892	12,720
Cash:		
Beginning	<u>116,760</u>	<u>104,040</u>
Ending	<u>\$ 152,652</u>	<u>116,760</u>

See accompanying notes

Subject to the accompanying Auditors' Report

DISCOVERY HEALTH CARE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2006

1. Nature of operations:

The Foundation is a not-for-profit organization which raises funds to help support the Eastern Regional Integrated Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

2. Significant accounting policies:

Pledges

Revenue from pledges is recognized in the year received since donations are recorded on the cash basis.

Amortization

Amortization of computer software and equipment is recorded on the straight line method over five years.

3. Equipment:

	2006		2005
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer software	\$ 3,527	2,687	840
Computer equipment	<u>655</u>	<u>655</u>	<u>-</u>
	<u>\$ 4,182</u>	<u>3,342</u>	<u>840</u>
			<u>1,211</u>

4. Donations:

	2006	2005
Lift scale	\$ 12,496	-
OBS - Heart monitor	4,899	-
- Pulse otimeter	4,259	-
- Lockers	3,556	-
- Other	524	-
Pollative care - 2 recliners	3,795	-
Direct digital radiography	-	33,318
Transport incubator	-	23,925
Vehicle/building	-	24,226
Other	<u>150</u>	<u>1,274</u>
	<u>\$ 29,679</u>	<u>82,743</u>

Subject to the accompanying Auditors' Report

DISCOVERY HEALTH CARE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2006

5. Income tax status:

The Foundation is a charitable organization as defined in the Income Tax Act (Canada) and issues charitable receipts for donations received.

Subject to the accompanying Auditors' Report

Financial Statements of

**DR. H. BLISS MURPHY
CANCER CARE FOUNDATION**

March 31, 2006

Auditors' Report

To the Directors of
Dr. H. Bliss Murphy Cancer Care Foundation

We have audited the statement of financial position of Dr. H. Bliss Murphy Cancer Care Foundation as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
July 21, 2006

DR. H. BLISS MURPHY CANCER CARE FOUNDATION
Statement of Operations

Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Annual Fund	769,251	584,458
Give to Feel Good Campaign	-	744,594
Memorial Program	118,647	91,834
Gifts in Kind	24,246	18,691
Dr. Kim Hong Endowment Fund - Contributions	8,685	12,528
Investment income	41,483	35,816
Sundry	1,500	-
	<u>963,812</u>	<u>1,487,921</u>
EXPENDITURES		
Advertising and public relations	27,677	9,014
Bank charges	2,866	1,490
Books and journals	2,603	1,708
Fundraising costs	48,424	80,714
Insurance	3,935	-
Minor equipment and furniture purchases	1,977	-
Meetings and conferences	3,797	2,030
Membership fees	913	1,611
Professional services	6,334	6,455
Repairs and maintenance	3,475	1,259
Salaries and benefits	200,394	173,085
Stationery and office supplies	13,621	12,894
Telephone	1,488	2,306
Travel	7,862	2,142
	<u>325,366</u>	<u>294,708</u>
EXCESS OF REVENUE OVER EXPENDITURES		
BEFORE UNDERNOTED ITEMS	<u>638,446</u>	<u>1,193,213</u>
DISBURSEMENTS		
Capital Fund	108,305	494,052
Patient Support Programs and Research	199,714	229,781
Minor equipment and other	46,617	50,339
Teleoncology	25,000	60,000
Scholarships/bursaries/grants	11,777	10,579
Donated art work	-	795
OTHER		
Decrease in vacation leave	-	(2,007)
Increase (decrease) in paid leave	(648)	8,674
Increase in severance pay	2,751	928
	<u>393,516</u>	<u>853,141</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>244,930</u>	<u>340,072</u>

DR. H. BLISS MURPHY CANCER CARE FOUNDATION
Statement of Changes in Net Assets

Year Ended March 31, 2006

-186-

	2006				2005	
	Dr. Kim Hong Endowment Fund	Restricted Net Assets	Unrestricted Net Assets	Invested in Capital Assets	Total	Total
	\$	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	170,553	377,497	275,982	-	824,032	-
Opening net assets transferred from Newfoundland Cancer Treatment Research Foundation (Note 8)	-	-	-	-	-	483,960
Excess of revenue over expenditures	8,847	189,886	42,295	3,902	244,930	340,072
BALANCE, END OF YEAR	179,400	567,383	318,277	3,902	1,068,962	824,032

DR. H. BLISS MURPHY CANCER CARE FOUNDATION

Statement of Financial Position

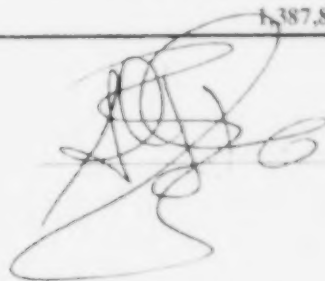
March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
CURRENT		
Cash	315,046	450,538
Temporary investments (Note 3)	853,000	-
Accounts receivable	32,939	12,741
Due from Eastern Regional Health Authority	-	298,457
Prepaid expenses	3,525	3,176
	1,204,510	764,912
DR. KIM HONG ENDOWMENT FUND (Note 4)	179,400	170,553
DONATED ART WORK	3,902	-
	1,387,812	935,465
LIABILITIES		
CURRENT		
Due to Eastern Regional Health Authority	188,617	-
Payables and accruals	45,646	49,949
Deferred revenue	60,065	39,064
Accumulated paid leave payable	10,635	11,284
	304,963	100,297
ACCUMULATED SEVERANCE PAY	13,887	11,136
	318,850	111,433
NET ASSETS		
Restricted net assets (Note 5)	567,383	377,497
Unrestricted net assets	318,277	275,982
Dr. Kim Hong Endowment Fund (Note 5)	179,400	170,553
Invested in capital assets	3,902	-
	1,068,962	824,032
	1,387,812	935,465

ON BEHALF OF THE BOARD:



Chairman



Director

DR. H. BLISS MURPHY CANCER CARE FOUNDATION**Statement of Cash Flows**

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	244,930	340,072
Adjustments for:		
Increase in severance pay accrual	2,751	928
Increase (decrease) in paid leave accrual	(648)	8,674
Decrease in vacation leave	-	(2,007)
Donated artwork	(3,902)	-
Change in non-cash operating working capital (Note 6)	483,224	283,973
	<u>726,355</u>	<u>631,640</u>
INVESTING ACTIVITIES		
Increase in temporary investments	(853,000)	-
Increase in endowment fund	(8,847)	(181,102)
	<u>(861,847)</u>	<u>(181,102)</u>
NET INCREASE (DECREASE) IN CASH	(135,492)	450,538
CASH, BEGINNING OF YEAR	450,538	-
CASH, END OF YEAR	<u>315,046</u>	<u>450,538</u>

DR. H. BLISS MURPHY CANCER CARE FOUNDATION

Notes to Financial Statements

March 31, 2006

1. NATURE OF OPERATIONS

The Foundation was incorporated under the laws of the Province of Newfoundland and Labrador on October 12, 2004. The Dr. H. Bliss Murphy Cancer Care Foundation develops, stewards, and distributes charitable resources to enhance treatment and supportive care programs for cancer patients; funds local cancer research initiatives and provides continuing education opportunities for staff of the Dr. H. Bliss Murphy Cancer Care Foundation and affiliated regional cancer programs in Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The unrestricted net assets reports unrestricted resources and operating expenses.

The restricted net assets presented in these financial statements report resources on which stipulations are imposed as to how the funds must be used. Externally restricted net assets are governed by the contributors of the funds. The Endowment Fund principal is externally restricted and disbursement of interest revenue earned is governed by the Board.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Temporary investments

Temporary investments are recorded at cost unless there is a loss in value other than a temporary decline.

Severance pay

Severance pay is accounted for on the accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

DR. H. BLISS MURPHY CANCER CARE FOUNDATION

Notes to Financial Statements

March 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are recognized as revenue of the appropriate restricted fund. Endowment contributions and interest are recognized as revenue of the endowment fund in the year.

In-kind contributions are recorded at fair value when determinable.

Capital assets

Donated artwork is recorded at estimated fair market value at the date of acquisition and is not amortized.

Pension costs

Employees of the Foundation are covered by the Public Service Pension Plan and the Government of Newfoundland and Labrador Money Purchase Plan. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized in the accounts on a current basis.

Use of estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

3. TEMPORARY INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Corporate bonds	603,000	-
Certificates of deposit	150,000	-
Provincial bond	100,000	-
	<u>853,000</u>	<u>-</u>

Market yields of the corporate bonds range from 5.00% to 6.30%; maturity dates range from November 16, 2012 to December 14, 2012.

DR. H. BLISS MURPHY CANCER CARE FOUNDATION

Notes to Financial Statements

March 31, 2006

3. TEMPORARY INVESTMENTS (Continued)

Market yield on certificates of deposit is 7.00%; maturity date is October 19, 2012.

Market yield on the provincial bond is 4.50%; maturity date is December 1, 2015.

4. DR. KIM HONG ENDOWMENT FUND

	<u>2006</u>	<u>2005</u>
	\$	\$
Corporate bonds	82,981	132,030
Certificates of deposit	91,000	30,000
Government of Canada bond	-	10,000
	<u>173,981</u>	<u>172,030</u>
Add: accrued interest	7,425	9,072
	<u>181,406</u>	<u>181,102</u>
Less: Due to operating	(2,006)	(10,549)
	<u>179,400</u>	<u>170,553</u>

Market yields on the corporate bonds range from 5.00% to 6.30%; maturity dates range from May 1, 2006 to November 16 2012.

Market yields on the certificates of deposit range from 6.05% to 9.00%; maturity dates range from August 24, 2006 to October 19, 2012.

These investments represent the funds donated to the Dr. Kim Hong Endowment Fund together with accrued interest. As per Canada Revenue Agency regulations 3.5% of endowment principal will be disbursed annually.

5. RESTRICTED FUNDS

Restricted funds include gifts designated by donors for a specific project or fund.

The endowment fund consists of the Dr. Kim Hong Endowment Fund for the total amount of \$179,400.

Subsequent to year end, \$250,000 of unrestricted net assets has been internally restricted for the establishment of the Patient and Family Support Endowment Fund for fiscal 2006-2007.

DR. H. BLISS MURPHY CANCER CARE FOUNDATION
Notes to Financial Statements
 March 31, 2006

6. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital:

	<u>2006</u>	<u>2005</u>
	\$	\$
Accounts receivable	(20,198)	(2,192)
Accounts receivable from Newfoundland Cancer Treatment and Research Foundation	-	196,000
Due from Eastern Regional Health Authority	298,457	(10,497)
Prepaid expenses	(349)	(3,176)
Due to Eastern Regional Health Authority	188,617	-
Payables and accruals	(4,304)	64,774
Deferred revenue	21,001	39,064
	<u>483,224</u>	<u>283,973</u>

7. FINANCIAL INSTRUMENTS

The carrying value of the Foundation's financial instruments included in current assets and current liabilities approximate fair value due to the relatively short-term to maturity of these instruments. The Dr. Kim Hong Endowment fund investments are interest bearing investments and as a result cost approximates fair value.

8. COMPARATIVE FIGURES

Comparative figures have been adjusted to include the assets and liabilities and revenue and expenditures of the Dr. H. Bliss Murphy Cancer Care Foundation (DHBMCCF) which were included in the audited figures of the Newfoundland Cancer Treatment and Research Foundation (NCTRF) for 2005.

	<u>DHBMCCF</u>	<u>NCTRF</u>	<u>2005 Total Revised</u>
	\$	\$	\$
Assets	452,583	482,882	935,465
Liabilities	42,429	69,004	111,433
Net assets	410,154	413,878	824,032
Revenue	452,582	1,035,339	1,487,921
Expenditures	42,428	1,105,421	1,147,849
Excess of revenue over expenditure (expenditure over revenue)	410,154	(70,082)	340,072

DR. H. BLISS MURPHY CANCER CARE FOUNDATION

Notes to Financial Statements

March 31, 2006

8. COMPARATIVE FIGURES (Continued)

The financial statements as at March 31, 2005 and for the year then ended were audited by other auditors who issued their report dated July 15, 2005.

9. INCOME TAX STATUS

As a registered charity, the Foundation is exempt from income tax and may issue charitable donation receipts.

Combined Financial Statements of

**EASTERN REGIONAL HEALTH
AUTHORITY –
OPERATING FUND**

March 31, 2006

Member of
Deloitte Touche Tohmatsu

Auditors' Report

To the Board of Trustees of
Eastern Regional Health Authority

We have audited the combined statement of financial position of Eastern Regional Health Authority – Operating Fund as at March 31, 2006 and the combined statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
July 7, 2006

EASTERN REGIONAL HEALTH AUTHORITY

Combined Statement of Operations

Year Ended March 31, 2006

(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Provincial plan	755,435	695,391
MCP	42,651	41,071
Inpatient	11,563	9,493
Resident	25,482	25,351
Outpatient	6,183	7,214
Other	27,769	23,387
	<u>869,083</u>	<u>801,907</u>
EXPENDITURES		
Administration	82,616	77,282
Support	117,118	103,918
Patient and resident services	239,788	234,470
Ambulatory care	83,600	76,492
Diagnostic and therapeutic	122,339	103,028
Client services	127,524	118,450
Medical services	58,660	58,437
Research and education	13,444	11,693
Interest on long-term debt	10,753	11,281
Other	6,173	5,807
	<u>862,015</u>	<u>800,857</u>
SURPLUS ON OPERATIONS	7,068	1,050
ADJUSTMENTS FOR NON-SHAREABLE ITEMS:		
Amortization of deferred capital contributions	15,958	15,141
Amortization of capital assets	(26,435)	(26,242)
Accrued vacation	(458)	(862)
Accrued severance	(1,689)	(2,637)
Board Fund operations	(2)	(563)
EXCESS OF EXPENDITURES OVER REVENUE	<u>(5,558)</u>	<u>(14,113)</u>

EASTERN REGIONAL HEALTH AUTHORITY
Combined Statement of Changes in Fund Balances
Year Ended March 31, 2006
(in thousands of dollars)

	2006			2005
	Net Investment in Capital Assets	Operating Fund	Board Equity	Total
	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR, AS RESTATED (Note 14)	72,129	(206,448)	2,314	(132,005)
Excess of expenditures over revenue	-	(5,556)	(2)	(5,558)
Amortization of deferred capital contributions	15,958	(15,958)	-	-
Amortization of capital assets	(26,435)	26,435	-	-
BALANCE, END OF YEAR	61,652	(201,527)	2,312	(137,563)

EASTERN REGIONAL HEALTH AUTHORITY

Combined Statement of Financial Position

Year Ended March 31, 2006

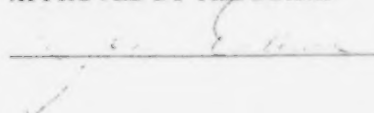
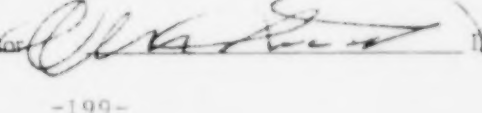
(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
CURRENT		
Cash and temporary investments	322	4,421
Accounts receivable (Note 4)	26,849	25,025
Supplies inventory	8,627	7,824
Prepaid expenses	6,573	4,475
	42,371	41,745
DEFERRED CHARGES	498	602
CAPITAL ASSETS (Note 5)	312,868	319,067
CAPITAL CAMPAIGN FUNDS	-	5,813
GENERAL HOSPITAL HOSTEL ASSOCIATION LOANS	2,079	2,190
TRUST FUNDS	3,297	3,189
	361,113	372,606
LIABILITIES		
CURRENT		
Bank indebtedness (Note 6)	24,279	40,021
Accounts payable and accrued liabilities	67,718	64,597
Accrued vacation pay	28,483	28,220
Current portion of long-term debt (Note 7)	3,013	2,764
Current portion of obligations under capital leases (Note 8)	1,145	1,167
Current portion of accrued severance pay	3,673	2,597
Deferred revenue - operating	13,969	10,794
Deferred revenue - capital	16,306	8,499
	158,586	158,659
LONG-TERM DEBT (Note 7)	163,200	166,219
OBLIGATIONS UNDER CAPITAL LEASES (Note 8)	1,119	2,067
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	82,739	79,561
CAPITAL CAMPAIGN FUNDS	-	5,813
TRUST FUNDS	3,297	3,189
ACCRUED SEVERANCE PAY	89,735	89,103
	498,676	504,611
NET ASSETS (DEFICIENCY)		
Net investment in capital assets	61,652	72,129
Deficit	(201,527)	(206,448)
Board equity	2,312	2,314
	(137,563)	(132,005)
	361,113	372,606

Contingencies (Note 11)

Commitments (Note 12)

APPROVED BY THE BOARD

 Director
  Director

EASTERN REGIONAL HEALTH AUTHORITY

Combined Statement of Cash Flows

Year Ended March 31, 2006

(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of expenditures over revenue	(5,558)	(14,114)
Adjustments for:		
Amortization of capital assets	26,435	26,243
Amortization of deferred capital contributions	(15,958)	(15,141)
Loss on disposal of capital assets	65	19
Increase in severance pay accrual	1,708	2,637
Decrease in deferred charges	104	102
Changes in non-cash working capital (Note 9)	9,641	11,394
	<u>16,437</u>	<u>11,140</u>
INVESTING ACTIVITIES		
Increase in investments	-	(17)
Proceeds from disposal of capital assets	128	-
Building improvements and equipment purchases	(20,429)	(18,808)
	<u>(20,301)</u>	<u>(18,825)</u>
FINANCING ACTIVITIES		
Proceeds from long term debt	1,293	-
Proceeds from capital leasing	207	180
Repayment of long-term debt	(2,943)	(3,469)
Sinking fund payments	(1,119)	(887)
Repayment on General Hospital Hostel Association loan	111	101
Repayment of obligations under capital lease	(1,178)	(1,146)
Deferred building and equipment grants	19,136	12,534
	<u>15,507</u>	<u>7,313</u>
NET INCREASE (DECREASE) IN CASH RESOURCES	11,643	(372)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	(35,600)	(35,228)
CASH (BANK INDEBTEDNESS), END OF YEAR	(23,957)	(35,600)
CASH (BANK INDEBTEDNESS) IS COMPRISED OF:		
Bank indebtedness	(24,279)	(40,021)
Cash and temporary investments	322	4,421
	<u>(23,957)</u>	<u>(35,600)</u>

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

1. NATURE OF OPERATIONS

The Eastern Regional Health Authority ("Eastern Health" or "the Authority") was created on April 1, 2005 to assume the responsibility of governance for health services in the Eastern Region of Newfoundland and Labrador.

The mandate of Eastern Health spans the full health continuum including primary and secondary level health and community services for the Eastern Region (Avalon, Bonavista and Burin Peninsulas, west to Port Blandford) as well as tertiary and other provincial programs/services for the whole Province. The organization also has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, Eastern Health also provides education and research in partnership with all stakeholders.

Eastern Health is a registered charity and, while registered, is exempt from tax.

The prior year figures, presented for comparative purposes, reflect the financial position and operations of the following entities as if they had been combined since their inception, in accordance with the continuity of interest method of accounting:

- Avalon Health Care Institutions Board
- Eastern Health and Community Services Board
- Health Care Corporation of St. John's
- Newfoundland Cancer Treatment and Research Foundation
- Peninsulas Health Care Corporation
- St. John's Nursing Home Board
- St. John's Regional Health and Community Services Board

Certain of the prior year figures as reported by the above noted entities have been reclassified to conform with the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles. The more significant accounting policies of the Authority are as follows:

Agreements With Nursing Homes

Eastern Health has memoranda of understanding/governance agreements with the following nursing home owner/operators ("homes") in the region:

- Masonic Park – Nursing Home
- Saint Luke's Homes (A Division of Anglican Home Inc.)
- St. Patrick's Mercy Home
- The Agnes Pratt Home
- The Salvation Army Glenbrook Lodge
- The Pentecostal Assemblies Benevolent Association of Newfoundland and Labrador
- Clarke's Beach Senior Citizen's Home

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agreements With Nursing Homes (Continued)

Eastern Health is responsible for policy direction, distribution of operating funds and capital grants, and providing certain services to homes, which are individually controlled entities. As a result of this relationship, the financial statements of these homes are combined with the financial statements of Eastern Health. Ultimate ownership of assets and liabilities rests with the individual homes or the respective governing bodies.

Fund Accounting

The Authority applies fund accounting principles in recording its financial transactions in the Operating Fund.

The Operating Fund contains all the operating assets, liabilities, revenue and expenditures of the Authority related to the provision of health care services. The assets of the Operating Fund are available for the satisfaction of debts, contingent liabilities and commitments of the Authority.

Inventory

Inventory is valued at average cost, determined on a first-in first-out basis.

Capital Assets

Capital assets are recorded at cost, although title to certain of these assets rests with the Government of Newfoundland and Labrador. Contributed capital assets are recorded at fair market value at the date of contribution. Minor equipment purchases are charged to operations in the year of acquisition. Amortization is calculated on a straight-line basis and declining balance basis at the rates set out below. It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful life of the assets. Gains and losses on disposal of individual assets are recognized in income in the year of disposal.

Buildings and renovations	2% - 5%
Equipment	15% - 20%
Equipment under capital leases	14.3% - 25%
Land improvements	10% - 20%

Construction in progress is not amortized until the project is substantially complete at which time the project costs are transferred to buildings and renovations and amortized accordingly.

Capital and Operating Leases

A lease that transfers substantially all of the benefits and risks associated with ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. Assets acquired under capital leases are amortized on the same basis as other similar capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

Capital contributions are recorded as deferred contributions and amortized to income on the same basis and using the same rates as the amortization expense related to the capital assets purchased. Capital contributions for capital assets that are not amortized are recorded as direct increases in net assets.

Severance Pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service with the Board or another public sector employer, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

Revenue Recognition

Provincial plan revenues are recognized in the period in which entitlement arises. MCP, inpatient, outpatient and residential revenues are recognized in the period services are provided. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pension Costs

Employees of the Authority are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Authority. The annual contributions for pensions are recognized in the accounts on a current basis.

Debenture Discount and Commission

The debenture discount and financing fees are amortized on a straight-line basis over the term of the debenture.

Sinking Funds

Sinking funds established for the retirement of debentures are held and administered in trust by the Government of Newfoundland and Labrador.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges

Deferred charges include costs incurred relating to an energy performance contract as disclosed in Note 12. The deferred charges are being amortized over the 9.75 year life of the energy performance contract.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year to assist Eastern Health in carrying out its service delivery activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

Use Of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

3. CONTROL OF NOT-FOR-PROFIT ENTITIES

The Authority controls the Health Care Foundation of St. John's Inc., Janeway Children's Hospital Foundation, Waterford Foundation Inc., Trinity Conception Foundation, Burin Peninsula Health Care Foundation, Discovery Foundation and the Dr. H. Bliss Murphy Foundation. These Foundations raise funds from the community for the capital equipment needs of the Authority. The Foundations are incorporated under the Corporations Act of Newfoundland and Labrador and are registered charities under the Income Tax Act.

The Authority also controls the General Hospital Hostel Association, Northwest Rotary-Janeway Hostel Corporation, Lions Manor Inc., TCRHB Housing Complex Inc., Blue Crest Cottages and Golden Heights Manor Cottages. These entities were established to provide accommodations for family members of patients and housing to senior citizens.

As of March 31, 2003, the prior Board of Directors approved a resolution that the assets, liabilities and net assets of the Board Fund (excluding those relating to the capital campaign) be transferred to the Operating Fund. The net assets of \$3,274,000 were transferred to the Operating Fund as a capital grant and included in deferred capital contributions.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

3. CONTROL OF NOT-FOR-PROFIT ENTITIES (Continued)

On November 1, 2003, the Health Care Foundation of St. John's Inc. assumed the operations of the General Hospital Health Foundation, the St. Clare's Mercy Hospital Foundation and the Capital Campaign Fund. The Waterford Foundation Inc. continues to operate as a separate entity, but reports to the Board of Directors of the Health Care Foundation of St. John's Inc.

The Capital Campaign Fund consisted of donations received from corporations and individuals, as well as foundations and auxiliaries, with matching funds by the Government of Newfoundland and Labrador. The funds have been used to purchase equipment for various hospital sites of the Authority. This fund was reported as part of the Eastern Health.

These not-for-profit entities have not been consolidated in the Authority's financial statements, however separate financial statements are available on request. Financial summaries of these non-consolidated entities as at March 31, 2006 and 2005 and for the years then ended are as follows (in thousands of dollars):

	Foundations		Hostels	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$
Financial position				
Total assets	6,719	15,841	10,678	13,514
Total liabilities	2,951	11,756	10,595	13,515
Total net assets	3,768	4,085	83	(1)
	6,719	15,841	10,678	13,514
Results of Operations				
Total revenues	7,399	13,308	1,825	2,124
Total expenditures	7,157	12,596	1,895	2,257
Excess of revenues over expenditures (expenditures over revenue)	242	712	(70)	(133)
Cash Flows				
Cash from operations	(2,150)	3,736	232	110
Cash used in financing and investing activities	(3,153)	(132)	(205)	(282)
Increase (decrease) in cash	(5,303)	3,604	27	(172)

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

4. ACCOUNTS RECEIVABLE

	<u>2006</u>	<u>2005</u>
	\$	\$
Government of Newfoundland and Labrador	4,777	5,174
Services to patients, residents and clients	10,175	8,968
Foundations, hostels and cottages (Note 13)	4,139	4,428
Other	7,758	6,455
	<u>26,849</u>	<u>25,025</u>

5. CAPITAL ASSETS

	<u>2006</u>		<u>2005</u>
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land and land improvements	3,712	478	3,234
Buildings and renovations	366,655	126,591	240,064
Equipment	293,294	232,005	61,289
Equipment under capital leases	15,461	13,341	2,120
Construction in progress	6,161	-	6,161
	<u>685,283</u>	<u>372,415</u>	<u>312,868</u>
			<u>319,067</u>

6. BANK INDEBTEDNESS

The Authority has access to lines of credit totaling \$64,000,000 in the form of revolving demand loans and/or bank overdrafts at its financial institutions. The authority to borrow has been approved by the Minister of Health and Community Services.

Cash and cash equivalents/bank indebtedness consists of:

	<u>2006</u>	<u>2005</u>
	\$	\$
Operating line of credit	(29,647)	(40,164)
Bank accounts, cash and short-term investments	5,368	143
	<u>(24,279)</u>	<u>(40,021)</u>

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

7. LONG -TERM DEBT

	<u>2006</u>	<u>2005</u>
	\$	\$
Sinking Fund Debenture, Series HCCL, 6.9%, to mature June 15, 2040, interest payable semi-annually on June 15 and December 15	130,000	130,000
Royal Bank of Canada (Central Kitchen), 6.06% loan for 15 year term maturing May 2014, payable in monthly instalments of principal and interest of \$101,670	7,843	8,564
Royal Bank of Canada (Centre for nursing Studies), 6.66% loan for 7 year term maturing December 2006, payable in monthly instalments of principal and interest of \$44,847	393	886
Royal Bank of Canada (Veterans Pavilion), 5.03% loan for 5 year term maturing April 2008, payable in monthly instalment of principal and interest of \$10,877	248	363
Bank of Montreal, 3.82% loan for 5 year term maturing June, 2010, payable in monthly instalments of principal and interest of \$23,699	1,114	-
Newfoundland and Labrador Housing Corporation ("NLHC") mortgage bearing interest at 4.97% due December 1, 2006, secured by land and buildings at the Masonic Park facility and repayable in blended monthly instalments of \$3,769 with an amortization period to January, 2017	379	404
NLHC mortgage bearing interest at 4.97%, due December 1, 2006 secured by land and buildings at Masonic Park facility and repayable in blended monthly instalments of \$3,060 with an Amortization period to June 1, 2018	333	353
NLHC mortgage bearing interest at 7.63%, due April 1, 2027, secured by first specific charge on buildings at the Glenbrook Lodge facility, repayable in blended monthly instalments of \$13,317	1,689	1,721
NLHC mortgage bearing interest at 8% due in 2027 secured by land and buildings at the Saint Luke's Home facility, repayable in blended monthly instalments of \$3,714	459	467

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

7. LONG -TERM DEBT (Continued)

	<u>2006</u>	<u>2005</u>
	\$	\$
NLHC mortgage bearing interest at 5.13% due in 2010 secured by land and buildings at the Saint Luke's Home Facility, repayable in blended semi-annual instalments of \$13,988	101	122
NLHC mortgage bearing interest at 4.33%, due in 2009 secured by registered first mortgage providing a fixed charge on land and buildings, registered chattel mortgage providing a first charge over all existing and acquired chattels, equipment and vehicles at the St. Patrick's Mercy Home facility, NLHC Form 530 dated May 20, 1983 undertaking to insure a maximum loan amount of \$8,696,934, and an assignment of fire insurance, repayable in blended monthly instalments of \$49,576 with an amortization period to August 1, 2019	6,056	6,383
The Roman Catholic Episcopal Corporation of St. John's, Archdiocese - non-interest bearing loan with no set terms of repayment	1,955	1,955
Royal Bank mortgage bearing interest at 4.34%, due January 1, 2010, secured by a first charge against the land, buildings and contents of the Agnes Pratt Home facility, repayable in blended monthly instalments of \$54,445 with an amortization period to February 1, 2023	7,816	8,126
Canadian Imperial Bank of Commerce's prime lending rate less 0.625 basis points borrowing to finance the construction of a new facility at Old Perlican. Loan is repayable in monthly instalments of \$21,200 plus interest, matures in 2016 and is unsecured	2,647	2,902
6.22% Newfoundland and Labrador Housing Corporation mortgage, payable in blended monthly instalments of \$22,177. The mortgage matures in December 2020 and is secured by land and building	2,576	2,681
10% Newfoundland and Labrador Housing Corporation mortgage, payable in blended monthly instalments of \$8,955. The mortgage matures in December 2028 and is secured by land and building	979	990

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

7. LONG -TERM DEBT (Continued)

	<u>2006</u> \$	<u>2005</u> \$
5.35% Toronto Dominion Bank term loan, amortized to December 2018, repayable in blended monthly instalments of principal and interest of \$4,030	448	472
6.41% Toronto Dominion Bank term loan, amortized to March 2012 repayable in blended monthly instalments of principal and interest of \$5,591	334	379
6.45% Newfoundland and Labrador Housing Corporation mortgage, amortized to July 1, 2020, repayable in blended monthly instalments of principal and interest of \$1,293, secured by the property to which it relates	145	152
Newfoundland and Labrador Housing Corporation, 5.88% mortgage repayable in blended semi-annual instalments of principal and interest of \$8,360, maturing in 2007	24	39
Newfoundland and Labrador Housing Corporation 6.88% mortgage repayable in blended semi-annual instalments of principal and interest of \$7,978, maturing in 2009	50	60
CMHC mortgages on land and buildings -		
8%, on Blue Crest Home; repayable in blended monthly instalments of principal and interest of \$7,777, maturing November 2007	933	952
10.5% on Golden Heights Manor, repayable in blended monthly instalments of principal and interest of \$7,549; maturing August 2027	773	793
3.88% on Golden Heights Manor, repayable in blended monthly instalments of principal and interest of \$22,085, maturing June 2023	3,347	3,470
Mortgages repaid during the year	-	57
Capital lease, repaid during the year	-	2
	170,642	172,293
Less: Current portion	3,013	2,764
	167,629	169,529
Less: Sinking Funds available	4,429	3,310
	163,200	166,219

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

8. OBLIGATIONS UNDER CAPITAL LEASES

The Authority has acquired medical and surgical equipment under the terms of capital leases. Payments under the leases, scheduled to expire at various dates to March 31, 2009, are as follows:

Fiscal year ended	\$
2007	1,209
2008	709
2009	447
	<hr/> 2,365
Less: amount representing interest (ranging from 0.0% to 9.0%)	<hr/> 101
	2,264
Less: current portion	<hr/> 1,145
	<hr/> 1,119

9. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2006</u>	<u>2005</u>
	\$	\$
Change in non-cash operating working capital		
Accounts receivable	(1,824)	(1,053)
Supplies inventory	(803)	471
Prepaid expenses	(2,098)	172
Accounts payable and accrued liabilities	3,121	7,975
Accrued vacation pay	263	861
Deferred revenue - operating	3,175	2,398
Deferred revenue - capital	7,807	570
	<hr/> 9,641	<hr/> 11,394
Interest paid	<hr/> 10,753	<hr/> 11,370

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of restricted contributions related to capital assets, which will be reported in revenue in future accounting periods. Deferred capital contributions are amortized on a basis and at a rate consistent with the amortization for the related asset purchased.

The changes in deferred capital contributions balance for the year are as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of the year	79,561	82,168
Grants received	19,136	12,534
Amortization	(15,958)	(15,141)
Balance, end of the year	82,739	79,561

11. CONTINGENCIES

Guarantees

The Authority has guaranteed a first mortgage of the General Hospital Hostel Association ("the Association") held by the Newfoundland and Labrador Housing Corporation. The balance of the mortgage outstanding at March 31, 2006 was \$1,607,162 (2005 - \$1,690,422).

The Authority has guaranteed an additional term loan of the Association held by the Royal Bank of Canada. The balance of the loan outstanding at March 31, 2006 was \$940,938 (2005 - \$977,469).

Management believes the Authority will not be called upon to honour these guarantees.

Other

A number of claims have been filed against the Authority. No provision has been recorded in the accounts for these claims as the Authority is not expected to incur any significant liability, and an estimate of loss, if any, is not determinable at this time.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

12. COMMITMENTS

Operating Leases

Under the terms of several long-term operating leases related to hospital and office equipment, the Authority is committed to make approximate annual lease payments to March 31, 2011 as follows:

	\$
2007	3,920
2008	2,924
2009	1,948
2010	1,618
2011	1,202
	<hr/>
	11,612

Energy Performance Contract

- The Authority entered into an Energy Performance Contract with Honeywell Ltd. for the design and implementation of measures to improve energy efficiency, wherein Honeywell Ltd. guaranteed the energy savings component.

The final contract amount was \$10,515,625 and is to be repaid from operating and energy savings over a seven year period to September, 2007, at the rate of \$161,810 per month, including principal and interest.

As of March 31, 2006 the balance of the expenditures financed through the Bank of Nova Scotia amounted to \$2,744,516. As support for the financing, Honeywell Ltd. has assigned to the bank any funds due to them by the Authority for the energy savings component of the contract.

In the opinion of management of the Authority, the guaranteed energy savings component by Honeywell Ltd. is an offset to any obligation of the Authority under the assignment to the bank, and as a consequence neither the capital expenditures nor the bank loan obligation is reflected in the financial statements of the Authority at March 31, 2006.

- The Authority entered into an Energy Performance contract on August 11, 1998 with The Enerplan/Rose Group for the design, implementation and monitoring of energy efficiency improvements. The cost of the contract was \$5,605,094. Lump sum amounts aggregating \$1,008,555 have been paid and recorded as deferred charges with the remaining balance of \$4,596,439 being financed by the Enerplan/Rose Group through CitiCapital Technology Finance Limited. The deferred charge amount is being amortized at \$103,442 annually for 9.75 years while the payments to the Enerplan/Rose Group are \$56,833 per month over a period of 9.75 years.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

12. COMMITMENTS (Continued)

The Enerplan/Rose Group has assigned its payments under the contract to CitiCapital Technology Finance Limited. As at March 31, 2006 the outstanding balance of the financing through the Enerplan/Rose Group was \$2,673,634. The Authority's obligation for payment is limited to actual cost savings as the Enerplan/Rose Group has guaranteed the reduction in operating costs would equal or exceed the costs incurred under the contract.

Funding for the contract is from operating savings and has been approved in this manner by the Province of Newfoundland and Labrador. As a result, the monthly payments and the amortization of the deferred charges relating to lump sum amounts under the contract are being reported in the Authority's operating statements as a normal operating cost.

13. RELATED PARTY TRANSACTIONS

Contributions to the Authority during the year are as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Health Care Foundation of St. John's Inc.	1,692	6,524
Janeway Children's Hospital Foundation	1,172	380
General Hospital Hostel Association	361	361
Masonic Park Apartments	187	159
Peninsulas Health Care Corporation Foundation	134	289
Discovery Health Care Foundation	7	59
Family Housing - A Division of Anglican Homes Inc.	101	94
Bishop Meaden Manor - A Division of Anglican Homes Inc.	78	75
Trinity-Conception-Placentia Health Foundation	88	84
Dr. H. Bliss Murphy Cancer Care Foundation	59	-
Lions Manor Inc.	20	17
Waterford Foundation Inc.	3	3
TCRHB Housing Complex Inc.	2	2
	<u>3,904</u>	<u>8,047</u>

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

13. RELATED PARTY TRANSACTIONS (Continued)

At year end, the amounts receivable from related parties are as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Health Care Foundation of St. John's Inc.	1,418	4,388
Janeway Children's Hospital Foundation	896	326
Waterford Foundation Inc.	58	68
Peninsulas Health Care Corporation Foundation	432	337
Golden Heights Manor Cottages	126	106
Blue Crest Cottages	133	69
Salvation Army Headquarters	33	33
Masonic Park Apartments	72	45
Family Housing - A Division of Anglican Homes Inc.	10	19
Bishop Meaden Manor - A Division of Anglican Homes Inc.	4	25
Dr. H. Bliss Murphy Cancer Care Foundation	189	-
General Hospital Hostel Association	110	120
Discovery Health Care Foundation	-	80
Northwest Rotary - Janeway Hostel Corporation	872	745
	<u>4,353</u>	<u>6,361</u>

Other

Various volunteer and auxiliary associations/organizations solicit donations, operate gift shops and hostels and undertake fund raising activities to provide operating and capital donations to further the objectives of the Authority.

Transactions between these related parties are measured at their exchange value.

14. OPENING FUND BALANCES

The opening fund balances from the former boards have been reduced by \$273,000 as shown below.

	\$
Programs excluded from the new Authority	(591,000)
Provincial Perinatal Program included in the new Authority	318,000
	<u>(273,000)</u>

In addition, there has been a reclassification within the opening balances of the funds to reflect other changes and the accounting policies of the new Authority. The opening balance of the Operating Fund has been reduced by \$39,800,000, the Net Investment in Capital Assets Fund has increased by \$39,103,000 and the Board Equity Fund has increased by \$697,000.

EASTERN REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

(in thousands of dollars)

15. FINANCIAL INSTRUMENTS

The carrying value of the Authority's financial instruments, included in current assets and current liabilities, approximates fair value due to the relatively short-term nature of these instruments.

Long-term debt and obligations under capital leases reflect fair value based on current borrowing rates available to the Authority.

SCHEDULE 1

EASTERN REGIONAL HEALTH AUTHORITY
Combined Schedule of Expenditures for Government Reporting
Year Ended March 31, 2006
(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
ADMINISTRATION		
Executive offices	16,901	15,832
Finance and budgeting	6,300	5,951
Human resources	7,528	7,693
Systems support	10,341	9,659
Materials management	17,001	15,855
Other administrative	24,545	22,292
	<u>82,616</u>	<u>77,282</u>
SUPPORT		
Housekeeping	23,321	22,664
Laundry and linen	8,352	8,417
Facilities management	42,118	38,156
Food services	30,069	29,895
Other support	13,258	4,786
	<u>117,118</u>	<u>103,918</u>
PATIENT AND RESIDENT SERVICES		
Acute care	138,277	133,373
Long term care	90,157	89,764
Other patient and resident services	11,354	11,333
	<u>239,788</u>	<u>234,470</u>
AMBULATORY CARE		
Emergency	19,503	18,450
Outpatient clinics	49,634	44,004
Dialysis	9,658	9,313
Other ambulatory	4,805	4,725
	<u>83,600</u>	<u>76,492</u>

SCHEDULE 1
(Continued)

EASTERN REGIONAL HEALTH AUTHORITY
Combined Schedule of Expenditures for Government Reporting
Year Ended March 31, 2006
(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
DIAGNOSTIC AND THERAPEUTIC		
Clinical laboratory	41,029	27,135
Diagnostic imaging	31,419	28,435
Other diagnostic and therapeutic	49,891	47,458
	<u>122,339</u>	<u>103,028</u>
CLIENT SERVICES		
Continuing care	28,200	26,948
Child, youth and family	33,417	31,454
Family and rehabilitation	47,360	42,935
Other client services	18,547	17,113
	<u>127,524</u>	<u>118,450</u>
MEDICAL SERVICES		
Physician services	46,305	46,101
Interns and residents	12,355	12,336
	<u>58,660</u>	<u>58,437</u>
RESEARCH AND EDUCATION		
Research	2,325	356
Education	11,119	11,337
	<u>13,444</u>	<u>11,693</u>
INTEREST ON LONG-TERM DEBT		
Interest on long-term debt	10,753	11,281
	<u>10,753</u>	<u>11,281</u>
OTHER		
Undistributed	6,173	5,807
	<u>6,173</u>	<u>5,807</u>
Total shareable expenditures	<u>862,015</u>	<u>800,858</u>

SCHEDULE 2

EASTERN REGIONAL HEALTH AUTHORITY**Combined Schedule of Revenue and Expenditures for Government Reporting**

Year Ended March 31, 2006

(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Provincial plan	755,435	695,391
MCP	42,651	41,071
Inpatient	11,563	9,493
Resident	25,482	25,351
Outpatient	6,183	7,214
Other	27,769	23,387
	<u>869,083</u>	<u>801,907</u>
EXPENDITURES		
Salaries	486,517	470,936
Employee benefits	85,043	83,103
Supplies - regular	134,416	104,170
Supplies - drugs	29,322	25,109
Supplies - medical and surgical	38,794	34,666
Client services	77,170	71,504
Lease - interest	109	145
Lease - principal	994	1,244
Long-term debt - interest	10,644	11,225
Long-term debt - principal	3,655	4,209
	<u>866,664</u>	<u>806,311</u>
SURPLUS (DEFICI) ON OPERATIONS	2,419	(4,404)
LEASE - PRINCIPAL	994	1,244
LONG-TERM DEBT - PRINCIPAL	3,655	4,209
SURPLUS BEFORE NON-SHARABLE ITEMS	7,068	1,049
ADJUSTMENTS FOR NON-SHAREABLE ITEMS:		
Amortization of deferred capital contributions	15,958	15,141
Amortization of capital assets	(26,435)	(26,242)
Accrued vacation	(458)	(862)
Accrued severance	(1,689)	(2,637)
Board Fund operations	(2)	(563)
EXCESS OF EXPENDITURES OVER REVENUE	<u>(5,558)</u>	<u>(14,114)</u>

SCHEDULE 3

EASTERN REGIONAL HEALTH AUTHORITY
Combined Schedule of Capital Transactions Funding and Expenditure
for Government Reporting

Year Ended March 31, 2006

(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Provincial plan	16,259	5,725
Deferred grants previous year	8,499	9,644
Board funds	28	74
Capital Campaign	5,776	6,524
Foundations	3,230	1,722
Auxiliaries	18	13
Transfer from operations	1,441	80
Proceeds from long-term debt	1,293	-
Proceeds from leases	207	180
Other	191	121
Deferred grant current year	(16,306)	(8,499)
	<u>20,636</u>	<u>15,584</u>
EXPENDITURES		
Buildings	2,378	3,186
Equipment	15,865	16,096
Vehicles	116	-
Equipment under capital leases	-	166
Leasehold improvements	-	7
Construction in progress	2,070	-
	<u>20,429</u>	<u>19,455</u>
SURPLUS(DEFICIT) ON CAPITAL TRANSACTIONS	<u>207</u>	<u>(3,871)</u>

EASTERN REGIONAL HEALTH AUTHORITY
Combined Schedule of Accumulated Operating Deficit
for Government Reporting

Year Ended March 31, 2006

(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
CURRENT		
Cash and temporary investments	322	4,421
Accounts receivable	26,849	25,025
Supplies inventory	8,627	7,824
Prepaid expenses	6,573	4,475
	42,371	41,745
DEFERRED CHARGES	498	602
CAPITAL CAMPAIGN FUNDS	-	5,813
GENERAL HOSPITAL HOSTEL ASSOCIATION LOANS	2,079	2,190
	44,948	50,350
LIABILITIES		
CURRENT		
Bank indebtedness	24,279	40,021
Accounts payable and accrued liabilities	67,718	64,597
Deferred revenue - operating	13,969	10,794
Deferred revenue - capital	16,306	8,499
	122,272	123,911
CAPITAL CAMPAIGN FUNDS	-	5,813
	122,272	129,724
Accumulated deficit for government reporting	(77,324)	(79,374)

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006



WALTERS Hoffe
CHARTERED ACCOUNTANTS

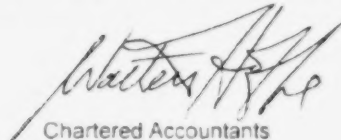
AUDITORS' REPORT

To the Directors of the
Eastern Regional Integrated Health Authority
Blue Crest Cottages

We have audited the balance sheet of the **Blue Crest Cottages** as at March 31, 2006 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Blue Crest Cottages as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Gander, Newfoundland

June 5, 2006

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

Balance Sheet

March 31, 2006

2006

2005

Assets

Current assets:

Cash

\$ 57,558

8,657

Prepaid expenses

9,979

9,542

Total current assets

67,537

18,199

Replacement Reserve Fund cash (Note 3)

14,804

11,261

Property, plant and equipment (Note 4)

1,045,813

1,088,744

\$ 1,128,154

1,118,204

Liabilities

Current liabilities:

Payables and accruals (Note 5)

\$ 11,978

11,872

Due to Eastern Regional Integrated Health Authority

132,922

69,194

Current portion of long-term debt (Note 6)

45,296

42,958

Total current liabilities

190,196

124,024

Long-term debt (Note 6)

1,000,517

1,045,786

Replacement Reserve Fund (Note 3)

14,804

11,261

Net assets

Net assets, per accompanying statement

(77,363)

(62,867)

\$ 1,128,154

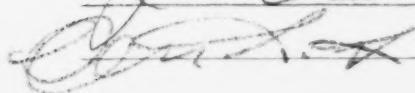
1,118,204

See accompanying notes

Approved:



Director



Director

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

Statement of Changes in Net Assets

Year ended March 31, 2006

		<u>2006</u>		<u>2005</u>
	<u>Invested in Property, Plant and Equipment</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning	\$ 4,235	(67,102)	(62,867)	(55,517)
Excess (deficiency) of revenue over expenditure, per accompanying statement	(42,931)	28,435	(14,496)	(7,350)
Investment in property, plant and equipment from repayment of mortgages principal	<u>42,931</u>	<u>(42,931)</u>	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ 4,235</u>	<u>(81,598)</u>	<u>(77,363)</u>	<u>(62,867)</u>

See accompanying notes

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

Statement of Operations

Year ended March 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue:			
Rentals	\$ 123,505	122,350	121,974
Subsidy - NLHC	52,895	36,359	33,416
Interest	1,200	577	1,238
	<u>177,600</u>	<u>159,286</u>	<u>156,628</u>
Expenditure:			
Interest on long-term debt	56,320	56,715	58,820
Amortization	44,680	42,931	40,850
Hydro	36,000	33,458	30,865
Municipal tax	1,500	5,969	5,823
Snow removal	4,000	7,382	3,930
Water	11,000	6,900	6,900
Professional fees	3,700	3,459	3,640
Insurance	3,300	3,240	3,240
Repairs and maintenance	17,100	7,978	4,160
Replacement reserve (Note 3)	-	5,750	5,750
	<u>177,600</u>	<u>173,782</u>	<u>163,978</u>
Excess (deficiency) of revenue over expenditure	<u>\$ -</u>	<u>(14,496)</u>	<u>(7,350)</u>

See accompanying notes

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

Statement of Cash Flow

Year ended March 31, 2006	2006	2005
Cash flows:		
Operations:		
Excess (deficiency) of revenue over expenditure	<u>\$(14,496)</u>	(7,350)
Amortization	<u>42,931</u>	<u>40,850</u>
	28,435	33,500
Changes in:		
Prepaid expenses	(437)	-
Payables and accruals	106	(1,000)
Due to Eastern Regional Integrated Health Authority	<u>63,728</u>	(88,287)
	<u>91,832</u>	(55,787)
Financing:		
Principal payments	<u>(42,931)</u>	(40,850)
Net increase (decrease) in cash	48,901	(96,637)
Cash:		
Beginning	<u>8,657</u>	<u>105,294</u>
Ending	<u>\$ 57,558</u>	<u>8,657</u>

See accompanying notes

EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY BLUE CREST COTTAGES

Notes to the Financial Statements

March 31, 2006

1. Nature of operations:

Blue Crest Cottages operates a 23 unit not-for-profit senior citizens' housing project in Grand Bank, Newfoundland and Labrador. The project is a division of the Eastern Regional Integrated Health Authority.

2. Significant accounting policy:

Amortization

Amortization is recorded on building, furniture and equipment purchased from loans insured by NLHC at a rate equal to the annual principal reduction of the mortgage. No amortization is recorded on other property, plant and equipment, however, a replacement reserve is maintained to provide for future asset replacement.

3. Replacement reserve fund:

Under the terms of the agreement with Newfoundland and Labrador Housing Corporation, the replacement reserve account is to be credited with the lesser of the sum of 1/12th of the monthly rents or \$5,750 annually until it accumulates to \$56,350 plus interest. These funds, plus the accumulated interest, are held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by NLHC from time to time. The funds in the account may only be used as approved by NLHC. Withdrawals are credited to interest first and then principal.

	<u>2006</u>	<u>2005</u>
Balance, beginning	\$ 11,261	7,296
Allocation from earnings for the year	5,750	5,750
Interest income	179	89
Approved expenditure for the year	(2,386)	(1,874)
Balance, ending	<u>\$ 14,804</u>	<u>11,261</u>

4. Property, plant and equipment:

	<u>2006</u>		<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 56,026	-	56,026
Land improvements	78,300	22,015	56,285
Buildings	1,276,937	343,435	933,502
Equipment	<u>28,146</u>	<u>28,146</u>	-
	<u>\$ 1,439,409</u>	<u>393,596</u>	<u>1,088,744</u>

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES**

Notes to the Financial Statements

March 31, 2006

5. Payables and accruals:

	<u>2006</u>	<u>2005</u>
Trade	\$ 3,640	3,640
Accrued interest	4,738	4,932
Security deposits	<u>3,600</u>	<u>3,300</u>
	<u>\$ 11,978</u>	<u>11,872</u>

6. Long-term debt:

	<u>2006</u>	<u>2005</u>
4.97% Newfoundland and Labrador Housing Corporation mortgage; repayable in equal monthly installments of \$4,495, interest included; renewable December 1, 2006 and maturing December 1, 2021	\$ 584,487	609,005
5.9% Newfoundland and Labrador Housing Corporation mortgage; repayable in equal monthly installments of \$3,825, interest included; renewable on August 1, 2006 and maturing May 1, 2021,	<u>461,326</u>	<u>479,739</u>
	<u>1,045,813</u>	<u>1,088,744</u>
Less current portion	<u>45,296</u>	<u>42,958</u>
	<u>\$ 1,000,517</u>	<u>1,045,786</u>

The land and buildings have been provided as security for the mortgages

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

2007	\$ 45,296
2008	47,761
2009	50,362
2010	53,106
2011	56,000

Interest subsidy

The Board has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs to break even, enabling the Cottages to provide housing to low-income individuals. The amount of assistance received from Newfoundland and Labrador Housing Corporation in 2006 was \$36,359 (2005 - \$33,416).

EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
BLUE CREST COTTAGES

Notes to the Financial Statements

March 31, 2006

7. Interest paid:

	<u>2006</u>	<u>2005</u>
Interest paid	<u>\$ 56,715</u>	<u>60,101</u>

AUDITORS' CONFIRMATION

Newfoundland and Labrador Housing Corporation

We have audited the balance sheet of the **Eastern Regional Integrated Health Authority - Blue Crest Cottages** as at March 31, 2006, and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Blue Crest Cottages management. Our responsibility is to express an opinion on these financial statements based on our audit.

With reference to the Statement of the Replacement Reserve Fund presented in the audited financial statements for the year ended March 31, 2006, the Replacement Reserve Fund has been funded and maintained, and all interest accruing to this fund has been recorded.

Chartered Accountants

Gander, Newfoundland

June 5, 2006

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Directors of the
Eastern Regional Integrated Health Authority
Golden Heights Manor Cottages

We have audited the balance sheet of the **Golden Heights Manor Cottages** as at March 31, 2006 and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of cottage's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Golden Heights Manor Cottages as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants

Gander, Newfoundland

June 5, 2006

**EASTER REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Balance Sheet

March 31, 2006

2006

2005

Assets

Current assets:

Cash

\$ 13,157

9,123

Prepays

5,400

5,400

Total current assets

18,557

14,523

Replacement reserve fund cash (Note 3)

67,344

63,622

Property, plant and equipment (Note 5)

723,477

762,903

\$ 809,378

841,048

Liabilities

Current liabilities:

Due to Eastern Regional Integrated Health Authority

\$ 125,569

105,945

Payables and accruals

6,284

6,427

Current portion of long-term debt (Note 6)

41,138

39,413

Total current liabilities

172,991

151,785

Long-term debt (Note 6)

682,339

723,491

Replacement Reserve Fund (Note 3)

67,344

63,622

Net assets

Net assets, per accompanying statement

(113,296)

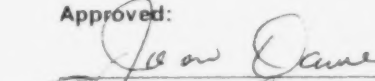

(97,850)

\$ 809,378

841,048

See accompanying notes

Approved:

 Director
 Director

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Statement of Changes in Net Assets

Year ended March 31, 2006

		<u>2006</u>		<u>2005</u>
	<u>Invested In Property, Plant and Equipment</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning	\$ -	(97,850)	(97,850)	(60,291)
Excess (deficiency) of revenue over expenditure, per accompanying statement	(39,427)	23,981	(15,446)	(19,970)
Investment in property, plant and equipment from repayment of mortgage principal	<u>39,427</u>	<u>(39,427)</u>	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ -</u>	<u>(113,296)</u>	<u>(113,296)</u>	<u>(80,261)</u>

See accompanying notes

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Statement of Operations

Year ended March 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue:			
Rentals	\$ 97,080	96,845	96,165
Subsidy - NLHC	35,807	27,964	22,729
Interest	1,000	422	1,007
	<u>133,887</u>	<u>125,231</u>	<u>119,901</u>
Expenditure:			
Interest on long-term debt	36,044	31,841	38,044
Amortization	35,368	39,427	35,720
Hydro	28,500	27,376	27,395
Municipal taxes	7,200	7,200	7,200
Snow removal	3,700	8,234	3,048
Insurance	3,300	3,240	3,240
Professional fees	3,700	3,459	3,640
Repairs and maintenance	15,825	10,673	9,902
Replacement reserve	-	9,100	9,100
Other	250	127	201
	<u>133,887</u>	<u>140,677</u>	<u>137,490</u>
Excess (deficiency) of revenue over expenditure	\$ -	(15,446)	(17,589)

See accompanying notes

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Statement of Cash Flow

Year ended March 31, 2006	2006	2005
Cash flows:		
Operations:		
Excess (deficiency) of revenue over expenditure	\$(15,446)	(17,589)
Amortization	<u>39,427</u>	<u>35,720</u>
	23,981	18,131
Changes in:		
Due to Eastern Regional Integrated Health Authority	19,624	(51,040)
Payables and accruals	<u>(143)</u>	<u>(2,762)</u>
	<u>43,462</u>	<u>(35,671)</u>
Financing:		
Principal payments	<u>(39,428)</u>	<u>(35,720)</u>
Net increase (decrease) in cash	4,034	(71,391)
Cash:		
Beginning	<u>9,123</u>	<u>80,514</u>
Ending	<u>\$ 13,157</u>	<u>9,123</u>

See accompanying notes

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Notes to the Financial Statements

March 31, 2006

1. Nature of operations:

The Golden Heights Manor Cottages operates a not-for-profit senior citizens housing project in Bonavista, Newfoundland and Labrador. This project is a division of Eastern Regional Integrated Health Authority.

2. Significant accounting policy:

Amortization

Amortization is recorded on building, furniture and equipment purchased from loans insured by NLHC at a rate equal to the annual principal reduction of the mortgage. No amortization is recorded on other property, plant and equipment, however, a replacement reserve is maintained to provide for future asset replacement.

3. Replacement reserve fund:

Under the terms of the agreement with Newfoundland and Labrador Housing Corporation, the replacement reserve account is to receive an allocation in the amount of \$9,100 annually until it accumulates to \$91,000 plus interest. The purpose of the reserve is to provide for future replacement of capital items as approved by NLHC. Withdrawals are credited to interest first and then principal.

	<u>2006</u>	<u>2005</u>
Balance, beginning	\$ 63,622	56,760
Allocation from earnings for the year	9,100	9,100
Interest income	1,055	592
Approved expenditures for the year	(6,426)	(2,823)
Bank charges	(7)	(7)
Balance, ending	<u>\$ 67,344</u>	<u>63,622</u>

**EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES**

Notes to the Financial Statements

March 31, 2006

4. Property, plant and equipment:

	<u>2006</u>			<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 20,000	-	20,000	20,000
Land improvements	53,000	11,113	41,887	43,922
Buildings	928,685	294,782	633,903	669,949
Equipment	35,033	7,346	27,687	29,032
	<u>\$ 1,036,718</u>	<u>313,241</u>	<u>723,477</u>	<u>762,903</u>

5. Long-term debt:

	<u>2006</u>	<u>2005</u>
4.33% Newfoundland and Labrador Housing Corporation first mortgage on land and building, chattel mortgage on equipment and an assignment of rents; repayable in equal monthly instalments of \$5,951, interest included; renewable September 1, 2009 and maturing July, 2019	\$ 723,477	762,904
Less current portion	<u>41,138</u>	<u>39,413</u>
	\$ 682,339	<u>723,491</u>

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

2007	\$ 41,138
2008	42,938
2009	44,818
2010	46,779
2011	48,527

Interest subsidy:

The Board has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs to break even, enabling the Cottages to provide housing to low-income individuals. The amount of assistance received from Newfoundland and Labrador Housing Corporation in 2006 was \$27,964 (2005 - \$22,729)

EASTERN REGIONAL INTEGRATED HEALTH AUTHORITY
GOLDEN HEIGHTS MANOR COTTAGES

Notes to the Financial Statements

March 31, 2006

6. Interest paid:

	<u>2006</u>	<u>2005</u>
Interest paid	<u>\$ 31,841</u>	<u>39,124</u>

AUDITORS' CONFIRMATION

Newfoundland and Labrador Housing Corporation

We have audited the balance sheet of the **Eastern Regional Integrated Health Authority - Golden Heights Manor Cottages** as at March 31, 2006, and the statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Golden Heights Manor Cottages management. Our responsibility is to express an opinion on these financial statements based on our audit.

In our opinion, the Golden Heights Manor Cottages

has requested and obtained evidence of the incomes of tenants paying rent according to the rent-to-income scale as required by the Operating Agreement with Newfoundland and Labrador Housing Corporation;

has applied a rent-to-income ratio for those tenants in accordance with the operating agreement;

has adjusted the rental charges for rent-to-income tenants in accordance with the operating agreement;

This has been done for those tenants whose sources of income include sources other than Department of Human Resources and Employment (DHRE) or Human Resources Development Canada (Old Age Security and Canada Pension), and for those households where the household composition has changed.

For tenants whose only source of income is from either the Department of Human Resources and Employment (DHRE) or Human Resources Development Canada (Old Age Security and Canada Pension), their last lease renewal locked in their rent for a period of three (3) years, unless a tenant receives income from another source during this period.

With reference to the Statement of the Replacement Reserve Fund presented in the audited financial statements for the year ended March 31, 2006, the Replacement Reserve Fund has been funded and maintained, and all interest accruing to this fund has been recorded.

Chartered Accountants

Gander, Newfoundland

June 5, 2006

EASTERN SCHOOL DISTRICT
REPORT AND FINANCIAL STATEMENTS

June 30, 2005





BYRON D. SMITH, B. Comm., CFE., C.A.

P.O. Box 610
490 Conception Bay Highway
Spaniard's Bay, NL
A0A 3X0

Telephone: (709) 786-1232
Toll Free: 1-877-786-1232
Facsimile: (709) 786-1230
E-mail: byronsmithca@warp.nfld.net
Website: byronsmithca.com

Adaptac Simply Accounting
Solution Provider
Business Vision
Authorized Training
and
Support Organization



AUDITOR'S REPORT

To the Board Members of
Eastern School District

I have audited the balance sheet of the current and capital funds of the Eastern School District as at June 30, 2005 and the related statements of current revenues, expenditures and District deficiency, cash flows and changes in capital fund for the ten month period then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.


The accounting policy with respect to the Board's capital assets is described in Note 1. Canadian generally accepted accounting principles require that not for profit organizations record all capital assets at cost and amortize them over their estimated useful lives. Energy Retrofit costs are the only costs that have been amortized (see note 1 and schedule 7). In this respect, these financial statements are not in accordance with Canadian generally accepted accounting principles. Furthermore, information concerning the costs and estimated useful lives of buildings and building improvements, as well as other capital asset additions prior to September 1, 2004, are not readily available. If the Board's capital assets were recorded in accordance with Canadian generally accepted accounting principles, changes to the amounts reported for capital assets, investment in capital assets, expenditures and excess of expenditures over revenue would be necessary.

The accounting policy with respect to Teachers' Severance Pay and Teachers' Vacation Pay are described in Note 2 and Note 5 respectively. Canadian generally accepted accounting principles require that all accounts receivable should be recorded and disclosed on the financial statements. The liability for Teachers' Severance Pay has been recorded but no offsetting receivable has been recorded. In this respect, these financial statements are not in accordance with Canadian generally accepted accounting principles. If the accounts receivable were recorded in accordance with Canadian generally accepted accounting principles, changes to the amounts reported for accounts receivable, revenue, and excess of expenditures over revenue would be necessary.

In my opinion, except for the effects of the failure to record depreciation and accounts receivable as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2005 and the results of its operations and changes in its capital financial position for the ten months then ended in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

The comparative amounts are for the fourteen month period ended August 31, 2004 and represent balances related to previous Boards that were dissolved upon the formation of the Eastern School District (See Note 1). These financial statements were audited by several other public accounting firms.

October 31, 2005
Spaniard's Bay



Chartered Accountant

Eastern School District
Balance Sheet

As At June 30, 2005	2005	(Note 17) 2004
Assets		
Current		
Cash (supp. Info. 1)	\$ 2,590,266	\$ 1,367,615
Short-term investments (supp. Info. 2)	155,889	80,152
Accounts receivable (note 4)	5,257,999	5,564,411
Teachers' vacation pay (note 5)	28,541,036	
Prepaid expenses (supp. info. 3)	<u>482,307</u>	<u>936,589</u>
	37,027,497	7,948,767
Capital assets (schedule 7)	294,694,822	290,415,914
Deferred costs (note 12)	1,090,097	1,401,553
Long-term receivables - Due from Province	<u>1,171,871</u>	<u>1,107,000</u>
	<u>\$333,984,287</u>	<u>\$300,873,234</u>
Liabilities		
Current		
Bank indebtedness (note 6)		\$ 1,050
Accounts payable and accrued liabilities (note 7)	\$ 6,722,733	7,061,086
Current maturities (schedule 8)	952,062	850,361
Teachers' vacation pay (note 5)	28,541,036	
Current portion of obligation under capital lease (note 11)	<u>643,542</u>	<u>610,426</u>
	36,859,373	8,522,922
Long-term debt (schedule 8)	4,977,433	5,683,846
Obligation under capital lease (note 11)	4,120,878	4,503,114
Teachers' severance pay benefits (note 2)	49,100,268	49,946,924
Other employee severance pay accrual	4,941,006	4,759,298
Other employee benefits (note 10)	<u>432,709</u>	<u>447,277</u>
	<u>100,431,667</u>	<u>73,863,381</u>
District Equity		
Investment in capital assets (note 9)	286,743,926	281,077,620
Reserve account (note 8)		110,202
District deficiency	<u>(53,191,306)</u>	<u>(54,177,969)</u>
	<u>233,552,620</u>	<u>227,009,853</u>
	<u>\$333,984,287</u>	<u>\$300,873,234</u>
Contingent Liability (Note 16)		

On Behalf of the Board:

 Chairperson

 Treasurer

See accompanying notes to financial statements

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Statement of Current Revenue, Expenditures and District Deficiency

		(Note 17)
For the Ten Months Ended June 30, 2005	2005	2004
Current Revenue (Schedule 1)		
Provincial Government grants	\$291,242,779	\$335,850,660
Ancillary services	26,772	112,531
Miscellaneous	718,414	2,747,013
Donations		6,599
	<u>291,987,965</u>	<u>338,726,803</u>
Current Expenditures		
Administration (Schedule 2)	4,301,940	7,330,728
Instruction (Schedule 3)	244,308,039	277,750,302
Operations and maintenance (Schedule 4)	23,451,010	29,071,451
Pupil transportation (Schedule 5)	17,474,522	17,630,107
Ancillary services (Schedule 6)	120,882	228,198
Interest (Schedule 8C)	311,802	513,375
Amortization of capital assets	311,456	939,222
Miscellaneous (Schedule 6)	203,312	614,313
	<u>290,482,963</u>	<u>334,127,696</u>
Excess of (expenditures over revenue) revenue over expenditures before undernoted items	1,505,002	4,599,107
Transfer (to) from capital (Note 9)	<u>(1,364,995)</u>	<u>58,799</u>
Excess of (expenditures over revenue) revenue over expenditures before teachers' severance	140,007	4,657,906
Net change in teachers' severance liability (Note 2)	<u>(846,656)</u>	<u>(418,419)</u>
Excess of (expenditures over revenue) revenue over expenditures	<u>\$ 986,663</u>	<u>\$ 4,239,487</u>
District deficiency, beginning of the year	\$ (54,177,969)	\$ (59,518,346)
Excess of (expenditures over revenue) revenue over expenditures	986,663	4,239,487
Add: Deficit Recovery		<u>100,690</u>
District deficiency, end of the year	<u>\$(53,191,306)</u>	<u>\$(54,177,969)</u>

See accompanying notes to financial statements



Eastern School District
Statement of Cash Flows

For the Ten Months Ended June 30, 2005

2005

(Note 17)
2004

CASH PROVIDED BY OPERATING ACTIVITIES

Excess of (expenditures over revenue)
revenue over expenditures

\$ 986,663 \$

Items not affecting cash:

Amortization of deferred costs 311,456
Amortization of energy retrofit 688,430
Severance pay accrual 181,708
Teachers severance liability (846,656)
Other employee benefits liability (14,568)

Changes in non-cash working capital balances:

Short term investments (75,737)
Accounts receivable 306,412
Prepaid expenses 454,282
Accounts payable and accrued liabilities (338,354)

1,653,636

INVESTING ACTIVITIES

Additions to Property and Equipment (4,967,333)
Change in investment in capital assets 5,666,303
Change in long-term receivable (64,871)
Change in reserve fund (110,202)

523,897

FINANCING ACTIVITIES

Proceeds from obligation under capital lease 182,035
Repayment of obligation under capital lease (166,130)
Proceeds from long-term borrowings 233,200
Repayment of long-term debt (1,200,937)

(953,832)

Change in cash resources

1,223,701

Cash, beginning of the year

1,366,565

Cash, end of the year

\$ 2,590,266 \$ 1,366,565

Supplementary cash flow information:

Interest paid \$ 311,802 \$ 513,376
Interest paid - bussing loans 104,698 136,186
\$ 416,500 \$ 649,561

See accompanying notes to financial statements

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGING PARTNER

Eastern School District
Statement of Changes in Capital Fund

		(Note 17)
For the Ten Months Ended June 30, 2005	2005	2004
70 Capital receipts		
71 Proceeds from bank loans		
011 School construction		\$ 1,899,584
012 Equipment	\$ 233,200	762,144
013 Service vehicles		1,187,473
014 Pupil transportation		40,000
015 Other and capital lease	182,035	
	<u>415,235</u>	<u>3,993,201</u>
72 EIC grants		
011 School construction and equipment	4,052,217	63,101
012 Other		
	<u>4,052,217</u>	<u>63,101</u>
73 Donations		
011 Cash receipts		
012 Non-cash receipts		
013 Restricted use		
74 Sale of capital assets - proceeds		
011 Land and 012 buildings		100,138
013 Equipment		
014 Service vehicles		
015 Pupil transportation vehicles		
016 Other		
		<u>100,138</u>
75 Other capital revenues		
011 Interest on capital fund investments		
012 Premiums on debentures		
013 Recoveries of expenditures	15,957	1,731,811
015 Insurance proceeds		
016 Native peoples grants		
017 Miscellaneous		
Gain on sale of capital assets		
Department of Education technology grants		
Cost sharing for technology grants		
	<u>15,957</u>	<u>1,731,811</u>
78 Transfer from (to) current fund	<u>1,364,995</u>	<u>(58,799)</u>
	<u>\$ 5,848,404</u>	<u>\$ 5,725,462</u>

See accompanying notes to financial statements



Eastern School District
Statement of Changes in Capital Fund (Cont'd)

		(Note 17)
For the Ten Months Ended June 30, 2005	2005	2004
80 Capital disbursements		
81 Additions to capital assets		
011 Land and sites		\$ 2,322,965
012 Buildings	\$ 4,095,055	\$ 1,058,404
013 Furniture and equipment - School	277,539	29,743
014 Furniture and equipment - other		3,926
015 Service vehicles	27,664	1,192,542
016 Pupil transportation	26,397	141,177
017 Other	52,682	
	<u>4,479,337</u>	<u>4,748,757</u>
82 Principal repayment of long-term debt		
011 School construction		566,958
012 Equipment	1,369,067	364,815
013 Service vehicles		18,092
014 Energy Performance Contract		6,830
	<u>1,369,067</u>	<u>976,695</u>
83 Miscellaneous disbursements		
013 Other		
	<u>\$ 5,848,404</u>	<u>\$ 5,725,452</u>

See accompanying notes to financial statements

**BYRON
SMITH**
REGISTERED ACCOUNTANT
MANAGEMENT CONSULTANT

For the Ten Months Ended June 30, 2005

Nature of Operations

The Eastern School District is responsible for the operations and maintenance of all schools in the Eastern portion of the Province of Newfoundland and Labrador. The District was formed August 31, 2004 after the Government of Newfoundland and Labrador dissolved four previous boards known as Vista School District, Burin School District, Avalon West School District, and Avalon East School District.

1. Significant Accounting Policies

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of accounting policies summarized below:

Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education ("the Department"). The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

Capital Assets

Capital assets assumed by the District on August 31, 2004, as a result of legislation passed pursuant to the Schools Act and the Education Act, are recorded based on the Net Book Values shown on the audited financial statements of the predecessor entities. Subsequent additions are only capitalized if they represent items of a major nature. Replacement items such as furniture and equipment are considered a current year expenditure. Proceeds are credited to appropriate property accounts and gains or losses are not recorded. The Board does not calculate or record depreciation on any of its fixed assets. However, deferred costs for the energy retrofit project are amortized on the straight-line basis over a period of seven years.

Additions to buildings and building improvements administered by the Government of Newfoundland and Labrador, Department of Works, Service and Transportation have not been reflected in these financial statements.

Teachers' and Student Assistants' Payroll

The Government of Newfoundland and Labrador processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the financial statements represent gross salaries for the year.

For the Ten Months Ended June 30, 2005

1. Significant Accounting Policies (Cont'd)

Pension Costs

All permanent employees of the District are covered by pension plans administered by the Government of Newfoundland and Labrador. Contributions to these plans are required from both the employee and the District. Post retirement obligations to employees are the responsibility of the Government of Newfoundland and Labrador and, as such, the employer contributions for pensions and other retirement benefits are recognized in the accounts on a current basis.

Other Severance Pay Accrual

The District records severance pay liability for employees other than teachers. Employees are entitled to one week of severance pay for each year of service to a maximum of twenty weeks once they reach 9 years of service with the District.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Teachers' Severance Pay Benefits

Pursuant to a directive issued by the Department during fiscal 1998, the District recorded severance pay for teachers in the District. The Schools Act specifies that salaries and other compensation for teachers are the responsibility of the Department. The District received written approval from the Minister of Education for the deficit arising from the Department's requirement for the teachers' severance.

The net change in the liability for the year ended is as follows:

	<u>2005</u>	(Note 17) <u>2004</u>
Balance, beginning of the year	\$ 49,945,924	\$ 49,528,505
Net (decrease), increase for the period	<u>(846,656)</u>	<u>418,419</u>
Balance, end of the year	<u>\$ 49,100,268</u>	<u>\$ 49,946,924</u>

3. Bond Coverage

At balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees as follows:

Assistant Director of Finance and Administration and District employees	\$ 100,000
Principals, Vice Principals and Staff	\$ 100,000

This coverage was implemented for each of the former Boards making up the new Eastern School District. Considering the significant increase in revenue under the new Eastern School District the Board should examine the adequacy of this coverage.

Eastern School District
Notes to Financial Statements

For the Ten Months Ended June 30, 2005

4. Accounts Receivable

(Note 17)

Current	2005	2004
11 131 Provincial Government	\$ 3,653,805	\$ 2,263,766
132 Transportation	143,137	320,615
133 Federal Government		70,286
134 Insurance		6,461
136 Interest		133
139 Travel advances and miscellaneous	752,296	686,329
140 Goods and Service Tax Rebate	706,342	710,161
141 Eastern School District		1,500,000
Capital		
11 231 Provincial Gov't -construction grants	2,419	6,660
232 Federal Government		
235 Other		
	<u>\$ 5,257,999</u>	<u>\$ 5,564,411</u>

5. Teachers' Vacation Pay

Pursuant to a directive issued by the Department during fiscal 2005, the District recorded the vacation pay liability for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Although the directive requested that a receivable from the Department for the liability not be recorded, the School's Act specifies that salaries and other compensation for teachers are the responsibility of the Department. Accordingly, the District has recorded teachers' vacation pay receivable of \$ 28,541,036 at June 30, 2005. For the fourteen months ended August 31, 2004, no vacation pay liability or receivable was reported as the amount was received and paid during July-August 2004.

6. Bank Indebtedness

21 131 On operating credit	\$	\$ 1,050
132 On capital account		
	<u>\$</u>	<u>\$ 1,050</u>

The District had an authorized operating demand loan of \$4,000,000, bearing interest at Royal Bank prime less 0.65% which was unused as at June 30, 2005 and August 31, 2004. In accordance with the Schools Act 1997, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education. This authorized operating demand loan expired June 30, 2005.

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Notes to Financial Statements

For the Ten Months Ended June 30, 2005

7. Accounts Payable and Accrued Liabilities

(Note 17)

Current	2005	2004
21 111 Trade payables	\$ 3,166,166	\$ 2,905,581
112 Accrued liabilities	446,115	904,199
114 Wages	83,028	186,614
115 Payroll deductions	501,508	204,734
116 Retail sales tax		9,509
117 Deferred grants	764,143	1,283,223
118 Other - Specify		
Vacation pay accrual	1,254,876	893,823
Scholarship fund	95,041	96,743
Capital		
21 211 Trade payable		204,976
212 Accrued Liabilities	5,000	5,000
213 Accrued interest		
217 Deferred Grants	406,856	366,684
	<u>\$ 6,722,733</u>	<u>\$ 7,061,086</u>

8. Reserve Account

(Note 17)

	2005	2004
Balance, beginning of year	\$ 110,202	\$ 109,024
Less transfer from reserve	<u>110,202</u>	
		109,024
Add transfer to reserve		<u>1,176</u>
Balance, end of year	<u>\$ NIL</u>	<u>\$ 110,202</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Notes to Financial Statements

For the Ten Months Ended June 30, 2005

9. Investment in Capital Assets

	2005	(Note 17) 2004
Investment in capital assets, beginning of the year	\$281,077,620	\$280,099,589
Add:		
Transfer of operating Funds to (from) capital fund		(58,799)
Grants - contributions for capital construction	4,152,665	1,095,847
Proceeds from sale of capital assets		100,138
Gain on sale of capital assets		
Recoveries of expenditures		
Insurance proceeds - capital		
Capital purchases out of revenue	144,530	
Miscellaneous		
School contributions		
Principal repayment	1,369,111	327,605
	<u>286,743,926</u>	<u>281,564,382</u>
Deduct adjustments:		
Cost of assets disposed:		
Building		180,025
Pupil transportation vehicles		304,735
Other:		
Government of Newfoundland and Labrador adjustments		
Adjustment to carrying value of certain capital assets		2,000
Doubtful Accounts		<u>486,760</u>
23 221 Investment in capital assets, end of the year	<u>\$286,743,926</u>	<u>\$281,077,620</u>

10. Other Employee Benefits

	2005	(Note 17) 2004
Pension plan	\$ (6,326)	\$ 378
Unused pre-1985 sick leave	<u>432,035</u>	<u>445,899</u>
	<u>\$ 432,709</u>	<u>\$ 447,277</u>

The District charges operations with the amount of benefits accruing to employees in each year.

The District has recorded the obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985.

For the Ten Months Ended June 30, 2005

11. Obligation Under Capital Leases

The District has entered into a capital lease with Royal Bank of Canada to finance its Energy Performance capital expenditures (EPC). The lease is for \$3,000,000 for 5 years with a purchase option of \$2,750,000 at the end of the term.

The District also entered into capital leases with the Royal Bank of Canada for various photocopy equipment. The leases total \$762,145 for 5 years with a purchase option of \$10 at the end of the term.

Future minimum payments under these capital leases is as follows for the year ending in:

	EPC	Copiers	Total
2006	\$ 616,920	\$ 211,574	\$ 828,494
2007	616,920	211,574	828,494
2008	565,510	225,587	791,097
	1,799,350	648,735	2,448,085
Add: Purchase option price	2,750,000		2,750,000
Less: amount representing interest	433,665		433,665
	4,115,685	648,735	4,764,420
Less: current portion	452,704	190,838	643,542
	<u>\$ 3,662,981</u>	<u>\$ 457,897</u>	<u>\$ 4,120,878</u>

Interest has been imputed at a rate of 4.20%

12. Deferred Costs

The District entered into a sale lease contract with the Royal Bank of Canada for their Energy Performance contract. A gain of \$1,868,737 was recorded upon sale of these assets. This gain is amortized over sixty months. During the year \$ 311,456 (2004 - \$467,184) was recorded as amortization expense in the financial statements.

13. Lease Commitments

The District is committed under the terms of various operating leases to make payments in the next five years approximately as follows:

2006	\$ 493,898
2007	\$ 458,080
2008	\$ 385,470
2009	\$ 177,592
2010	\$ 12,579

14. Financial Instruments

The carrying value of the District's financial instruments, with the exception of long-term receivables, approximate fair values due to the short-term maturity and normal credit terms of those instruments. The long-term receivables balance does not approximate fair value as it is non-interest bearing.

For the Ten Months Ended June 30, 2005

15. Insurance Subsidy

The cost of insuring school properties is borne by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

16. Contingent Liability

Site restoration and remediation costs associated with school properties under the District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable.

The Board has a potential liability for accumulated sick leave to its employees in the amount of \$10,726,000. This amount has not been included in the financial statements. The amount is calculated based on Board policy and on an interpretation of the agreement with unionized employees. Any payments to employees for sick leave is expensed in the period such payments are incurred.

17. Comparative Figures

The comparative figures are the combined amounts for the fourteen months ended August 31, 2004, for the former Boards that were dissolved August 31, 2004 as a result of changes in legislation governing education in the Province of Newfoundland and Labrador. These financial statement components were audited by various public accounting firms. Certain of the Boards did not provide a statement of cash flow and since this information was not readily available no comparative amounts have been reported. Certain of the 2004 amounts may not necessarily compare with the amounts reported for 2005 due to variations in the methods of classifying revenue and expenses by the former Boards.

18. Subsequent Events

Subsequent to June 30, 2005, the Board obtained financing in the amount of \$488,000 to fund the purchase of school busses acquired in the current fiscal period.

Eastern School District
Schedule 1
Current Revenues

For the Ten Months Ended June 30, 2005		(Note 17) 2004
Current Revenues		
32 010 Provincial Government Grants		
011 Regular operating grants	\$ 37,249,724	\$ 45,255,608
016 Special grants		196,599
French immersion		
Official language monitor		
French language recuperation		
Textbook credit allocation		
Communication technology		
Other		
Salaries and benefits		
017 Directors and assistant directors	1,747,194	1,716,861
021 Regular teachers	229,391,605	256,962,015
Teachers' severance	(846,656)	
022 Substitute teachers		3,594,504
Student assistants	6,191,199	10,468,027
030 Pupil transportation		
031 Board owned	2,644,113	2,921,780
032 Contracted	13,254,935	13,279,965
033 Handicapped	1,610,664	1,465,301
	<u>291,242,779</u>	<u>335,860,660</u>
33 010 Donations		
012 Cash receipts		6,599
013 Non cash receipts		
014 Restricted use		
		<u>6,599</u>
34 010 Ancillary Services		
011 Revenues from rental of residences		
021 Revenues from rental of Schools and facilities (Net)	26,772	47,495
031 Cafeterias		65,036
032 Other		
	<u>26,772</u>	<u>112,531</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 1 (Cont'd)
Current Revenues

		(Note 17)
For the Ten Months Ended June 30, 2005	2005	2004
35 010 Miscellaneous		
011 Interest on investments	\$ 84,717	\$ 118,103
012 Bus charters		143,002
021 Recoveries of expenditures (workers' compensation)		11,137
031 Revenues from other School Districts		122,953
051 Insurance proceeds		
061 Bilingual education revenue		
071 Operating revenue from native peoples grant	21,278	466,882
081 Miscellaneous federal grants: Special Projects	388,189	884,984
091 Textbooks		
092 Other		
Summer and night school fees	25,143	371,039
Gain on sale of capital assets		19,546
Technology support initiative		598,163
Sundry	169,087	11,204
093 Grant - MUN		
	<u>718,414</u>	<u>2,747,013</u>
Total Current Revenues	<u>\$291,987,965</u>	<u>\$338,726,803</u>

Eastern School District
Schedule 2
Administration Expenditures

For the Ten Months Ended June 30, 2005	(Note 17)	
	2005	2004
51 Salaries and benefits		
011 Directors and assistant directors	\$ 1,451,484	\$ 2,036,000
012 Board office personnel	1,982,393	3,645,837
013 Office supplies	45,897	85,026
014 Replacement furniture and equipment	1,547	4,915
015 Postage	33,675	46,440
016 Telephone	120,219	213,628
017 Office equipment rentals and repairs	29,374	69,795
018 Bank charges	4,784	8,984
019 Electricity	77,910	77,187
02* Fuel	6,287	8,085
023 Repairs and maintenance (office building)	270	7,744
024 Travel	70,097	240,236
025 Board meeting expenses	59,831	128,593
027 Professional fees	84,337	251,636
028 Advertising	53,368	64,329
029 Membership dues	70,000	134,308
031 Municipal service fees	7,373	9,556
032 Rental of office space	203,094	282,590
034 Miscellaneous		15,839
Total Administration expenditures	<u>\$ 4,301,940</u>	<u>\$ 7,330,728</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 3
Instruction Expenditures

For the Ten Months Ended June 30, 2005

2005

(Note 17)
2004

52 010 Instructional Salaries (Gross)

Teachers' salaries		
011 Regular	\$187,402,789	\$215,665,930
012 Substitute	6,992,089	7,868,878
013 Board paid		325,806
Summer school		34,958
Teachers' severance	(846,656)	7,940
014 Augmentation		163,738
015 Employee benefits	32,768,166	34,796,969
016 School secretaries - salaries and benefits	4,245,822	4,323,574
017 Payroll tax	3,534,746	1,599,576
018 Other		
Co-operative education		255,773
IT Salaries and benefits	605,634	419,271
Salaries and benefits - program assistants	66,150	94,633
Salaries and benefits - student assistants	5,220,440	5,649,225

239,989,180 271,206,272

52 040 Instructional Materials

041 General supplies	1,441,216	1,492,912
042 Library resource materials	139,906	214,050
043 Teaching aids	1,503,162	1,608,039
044 Textbooks	392,097	399,281
045 Other - Special and regional services		44,328

3,476,381 4,258,610

52 060 Instructional Furniture and Equipment

061 Replacement	303,987	312,745
062 Rentals and repairs	2,010	183,372
063 Salary and benefits - computer technicians		

305,997 496,117

50 080 Instructional Staff Travel

080 IT Travel	29,056	21,615
081 Program co-ordinators	321,301	239,398
082 Teachers' travel	55,744	109,004
083 Inservice and conferences	115,528	253,408

521,629 633,425

52 090 Other Instructional Costs

091 Postage and stationary	14,852	746,628
092 Miscellaneous		271,627
Funded Projects - other		135,337
Salary and benefits - Resource Centre		280

14,852 1,155,878

Total instruction expenditures

\$244,308,038 \$277,750,302

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 4
Operations and Maintenance Expenditures - Schools

For the Ten Months Ended June 30, 2005	(Note 17)	
	2005	2004
53		
Salaries		
011 Janitorial	\$ 9,954,181	\$ 10,401,467
012 Maintenance	788,029	3,749,028
013 Payroll tax	162,788	219,920
014 Electricity	6,005,934	6,973,002
015 Fuel	1,441,486	1,123,962
016 Municipal service fee	636,531	624,678
017 Telephone	804,556	1,085,278
018 Vehicle operating and travel	150,633	214,076
019 Janitorial supplies	594,815	699,936
021 Janitorial equipment	26,649	21,872
022 Repairs and maintenance - buildings	1,823,935	2,929,369
023 Equipment maintenance	8,873	12,310
025 Snow clearing	1,044,350	1,007,178
096 Rental of school space	8,250	9,375
Total operations and maintenance	<u>\$ 23,451,010</u>	<u>\$ 29,071,451</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 5
Pupil Transportation Expenditures

For the Ten Months Ended June 30, 2005		(Note 17) 2004
54 010 Operation and Maintenance of Board Owned Fleet		
Salaries and Benefits		
011 Administration	\$ 80,186	\$ 90,846
012 Drivers and Mechanics	1,199,421	1,282,977
013 Payroll Tax	219,484	234,844
014 Debt Repayment- Interest	104,698	125,186
015 Principal	275,734	320,776
017 Gas and Oil	335,081	287,739
018 Licenses	29,642	31,743
019 Insurance	36,481	51,084
021 Repairs and Maintenance - Fleet	264,414	375,098
022 Building	9,146	12,522
023 Tires and Tubes	29,853	22,817
024 Heat and Light	8,539	9,978
025 Municipal Service	817	786
026 Snow Clearing	2,435	4,542
027 Office Supplies	13,010	18,147
029 Travel	4,732	6,570
031 Professional Fees	4,000	3,966
032 Miscellaneous	5,297	7,333
033 Telephone	29,437	35,477
	<u>2,652,407</u>	<u>2,924,431</u>
54 040 Contracted Services		
041 Regular transportation	13,211,451	13,235,912
042 Handicapped	<u>1,610,664</u>	<u>1,519,764</u>
Pupil transportation expenditures	<u>\$ 17,474,522</u>	<u>\$ 17,680,107</u>

Eastern School District
Schedule 6
Ancillary Services and Miscellaneous Expenses

For the Ten Months Ended June 30, 2005

2005

(Note 17)
2004

Ancillary Services

The Board operates the following ancillary services:

55 Ancillary services

011 Operation of teachers' residences		\$ 66,498
031 Cafeterias		151,700
032 Other - Vehicle operating	\$ 120,882	
	\$ 120,882	\$ 228,198

Miscellaneous Expenses

The Board has incurred the following miscellaneous expenses:

57 011 Bad debt expense	\$ 135,081	\$ 384,492
Special incentive program		30,000
Other miscellaneous expenditures	68,231	98,291
012 Provision for severance pay		101,530
	\$ 203,312	\$ 614,313

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 7
Details of Capital Assets

For the Ten Months Ended June 30, 2005

	NBV August 31, 2004	Additions	Amortization	NBV June 30, 2005
12 210 Land and Sites				
211 Land and sites	\$ 5,077,657	\$	\$	\$ 5,077,657
12 220 Buildings				
221 Schools	243,824,497	4,095,055		247,919,552
222 Administration	2,379,115			2,379,115
223 Residential	10,000			10,000
224 Recreational				
225 Other	152,886			152,886
	<u>246,366,498</u>	<u>4,095,055</u>		<u>250,461,553</u>
12 230 Furniture and Equip.				
231 Schools	27,172,676	277,539		27,450,215
232 Administration	3,173,731			3,173,731
233 Residential	850			850
234 Recreation				
235 Other	27,648			27,648
	<u>30,374,905</u>	<u>277,539</u>		<u>30,652,444</u>
12 240 Vehicles				
241 Service vehicles	203,840	27,664		231,504
12 250 Pupil Transportation				
251 Land				
252 Building	213,356			213,356
Vehicles				
253 Buses	4,581,409	514,397		5,095,806
254 Service	59,383			59,383
255 Equipment				
256 Other				
	<u>4,854,148</u>	<u>514,397</u>		<u>5,368,545</u>
12 260 Misc. Capital Assets				
Other				
Computers	894,464			894,464
Tools	18,163			18,163
261 Energy retrofit	2,327,562	52,682	688,430	1,091,815
Water lines	29,151			29,151
Resource lines	269,526			269,526
	<u>3,538,666</u>	<u>52,682</u>	<u>688,430</u>	<u>2,903,119</u>
Total Capital Assets	<u>\$250,415,914</u>	<u>\$ 4,967,337</u>	<u>\$ 688,430</u>	<u>\$294,694,822</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 8
Details of Long-Term Debt

		2005	(Note 17) 2004
<hr/>			
For the Ten Months Ended June 30, 2005			
<hr/>			
Ref #			
211 Bank Loans			
Repayable \$ <u>5,706</u> monthly, maturing <u>2005</u>			\$ 53,963
Repayable \$ <u>16,814</u> monthly, maturing <u>2007</u>	\$ 1,047,833		1,112,290
Repayable \$ <u>9,443</u> monthly, maturing <u>2014</u>	1,038,748		900,000
Repayable \$ <u>9,357</u> monthly, maturing <u>2005</u>			9,387
Repayable \$ <u>12,475</u> monthly, maturing <u>2010</u>	711,062		835,796
Repayable \$ <u>459</u> monthly, maturing <u>2006</u>	7,795		11,910
Repayable \$ <u>667</u> monthly, maturing <u>2009</u>	34,167		33,170
Repayable \$ <u>1,000</u> monthly, maturing <u>2009</u>	33,333		51,000
Repayable \$ <u>4,406</u> monthly, maturing <u>2008</u>	127,786		171,846
Repayable \$ <u>7,833</u> monthly, maturing <u>2009</u>	323,335		382,862
Repayable \$ <u>883</u> monthly, maturing <u>2007</u>	35,886		45,053
Repayable \$ <u>833</u> monthly, maturing <u>2006</u>	1,667		10,000
Total 211	<u>3,361,612</u>		<u>3,617,277</u>
212 Mortgages			
Total 212			
213 Debentures			
repayable \$ <u>3,967</u> monthly, maturing <u>2005</u>			77,908
repayable \$ _____ monthly, maturing _____			
Total 213			<u>77,908</u>
Subtotal	3,361,612		3,695,185
215 Less current maturities	<u>632,516</u>		<u>578,737</u>
Total loans other than pupil transportation	<u>\$ 2,729,096</u>		<u>\$ 3,116,448</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 8 (Cont'd)
Details of Long-Term Debt

For the Ten Months Ended June 30, 2005

2005

(Note 17)

2004

22 220 Loans - pupil transportation

Ref #

221 Vehicle bank loans

Repayable \$ 430 monthly, maturing 2011	\$ 30,967	\$ 35,234
Repayable \$ 4,169 monthly, maturing 2012	346,009	387,698
Repayable \$ 2,019 monthly, maturing 2011	159,466	179,650
Repayable \$ 5,744 monthly, maturing 2013	568,006	615,182
Repayable \$ 580 monthly, maturing 2007	9,285	15,088
Repayable \$ 3,910 monthly, maturing 2016	469,250	508,354
Repayable \$ 4,335 monthly, maturing 2016	557,724	615,701
Repayable \$ 1,095 monthly, maturing 2014	118,275	129,230
Repayable \$ 1,679 monthly, maturing 2014	188,075	204,866
Repayable \$ 1,625 monthly, maturing 2007	33,404	49,654
Repayable \$ 521 monthly, maturing 2012	38,952	44,683
Repayable \$ 521 monthly, maturing 2013	48,470	53,682
Repayable \$ _____ monthly, maturing _____	_____	_____

Total 221

2,567,893

2,839,022

222 Land, buildings and equipment bank loans

repayable \$ _____ monthly, maturing _____	_____	_____
repayable \$ _____ monthly, maturing _____	_____	_____
repayable \$ _____ monthly, maturing _____	_____	_____
repayable \$ _____ monthly, maturing _____	_____	_____
repayable \$ _____ monthly, maturing _____	_____	_____

Total 222

223 Less current maturities

319,546

271,624

Total loans - pupil transportation

2,248,337

2,567,398

Total long-term debt

\$ 4,977,433

\$ 5,683,846

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 8A
Summary of Long-Term Debt
(Note 17)
For the Ten Months Ended June 30, 2005

Description	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School construction		\$	\$	\$	\$
B) Equipment	7.5%	3,695,185		333,573	3,361,612
C) Service vehicles					
D) Other					
E) Pupil					
Transportation					
Total Loans		\$ 3,695,185	\$	\$ 333,573	\$ 3,361,612

Eastern School District
Schedule 8B
Schedule of Current Maturities
(Note 17)
For the Ten Months Ended June 30, 2005

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School construction	\$	\$	\$	\$	\$
B) Equipment	632,516	927,092	892,115	873,190	728,533
C) Service vehicles					
D) Other					
E) Pupil	319,546				
Transportation					
Total loans	\$ 952,062	\$ 927,092	\$ 892,115	\$ 873,190	\$ 728,533

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Schedule 8C
Schedule of Interest Expense

Ten Months Ended June 30, 2005	2005	(Note 17) 2004
56 010		
Description		
012 Capital		
School construction	\$	\$ 51,153
Equipment	29,457	43,562
Service vehicles		1,061
Other		
District restructuring		3,811
Debt restructuring	71,000	52,629
Energy management - capital lease	<u>211,335</u>	<u>327,495</u>
Total Capital	<u>311,802</u>	<u>489,721</u>
Current		
013 Operating loans		5,635
014 Supplier interest charges		<u>18,019</u>
Total Current		<u>23,654</u>
Total Interest Expense	<u>\$ 311,802</u>	<u>\$ 513,375</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Supplementary Information

For the Ten Months Ended June 30, 2005

2005

(Note 17)

2004

1. Cash

Current

11 110 Cash on Hand and in Bank	\$	\$
111 Cash on Hand		159
Bank		
112 Current	2,384,434	1,204,310
113 Savings	7,000	16,346
114 Teachers' payroll	196,332	105,744
115 Non teachers' payroll		(44,775)
116 Executive payroll		(539)
117 Other - Funds	<u>2,500</u>	<u>86,670</u>
	<u>2,590,266</u>	<u>1,367,615</u>

Capital

11 210 Cash on hand and in bank		
211 Cash on hand		
Bank		
212 Current		
213 Savings		
214 Other		

Total cash on hand and in bank	\$ <u>2,590,266</u>	\$ <u>1,367,615</u>
--------------------------------	---------------------	---------------------

2. Short Term Investments

Current

11 121 Term deposits	\$ 160,345	\$ 74,608
122 Canada savings bonds		
123 Other		
- Canada treasury bills		
- Mutual funds		
- Balance in broker account		
- Guaranteed Investment Certificates	5,544	5,544

Capital

11 221 Term deposits		
222 Canada savings bonds		
223 Other		

Total Short-term investments	\$ <u>165,889</u>	\$ <u>80,152</u>
------------------------------	-------------------	------------------

**BYRON
SMITH**
CHARTERED ACCOUNTANT
MANAGEMENT CONSULTANT

Eastern School District
Supplementary Information

For the Ten Months Ended June 30, 2005

2005

(Note 17)
2004

3. Prepaid Expenses
Current

11 141 Insurance	\$ 37,761	\$ 10,928
142 Municipal service fees	129,817	91,756
143 Supplies	34,997	111,674
144 Other		
Equipment lease		44,348
Workers' compensation	279,732	251,553
Garbage collection		1,000
Vehicle insurance		
Other		425,330

Capital

11 241 Other		
	<u>\$ 482,307</u>	<u>\$ 936,588</u>

**BYRON
SMITH**
CHARTERED ACCOUNTANT
HARVARD COUNTY COMMISSIONER

**Embalmers and Funeral Directors Board of
Newfoundland and Labrador**

Financial Statements

December 31, 2005

JACKIE FELTHAM, FCGA

Certified General Accountant

25 Oliver's Pond Road
Portugal Cove - St. Philips, NL, A1M 3M4
Telephone: (709) 895-7776

Jackie Feltham, FCGA
Certified General Accountant

25 Oliver's Pond Road
Portugal Cove - St. Philips, NL
A1M 3M4

AUDITOR'S REPORT

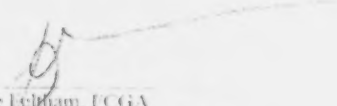
To the

Embalmers and Funeral Directors Board of Newfoundland and Labrador

I have audited the Balance Sheet of the Embalmers and Funeral Directors Board of Newfoundland and Labrador as at December 31, 2005, and the Statements of Revenue, Expenditures and Surplus, and Cash Flows for the year then ended. These financial statements are the responsibility of the Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2005, and the results of operations and changes in financial position for the period then ended in accordance with Canadian generally accepted accounting principles.



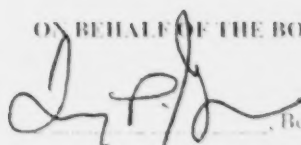
Jackie Feltham, FCGA
Certified General Accountant


Portugal Cove - St. Philips, NL
April 15, 2005

**EMBALMERS AND FUNERAL DIRECTORS BOARD OF
NEWFOUNDLAND AND LABRADOR
BALANCE SHEET
December 31, 2005**

	<u>2005</u>	<u>2004</u>
ASSETS		
<u>CURRENT</u>		
Cash and cash equivalents (Note 1)	\$ 151,238	\$ 159,600
Accounts receivable	28,122	25,300
Prepaid expenses	<u>1,444</u>	<u>1,236</u>
	180,804	186,136
	<u><u>\$ 180,804</u></u>	<u><u>\$ 186,136</u></u>
LIABILITIES		
<u>CURRENT</u>		
Accrued liabilities	\$ 3,540	\$ 2,105
Deferred revenue (Note 3)	<u>40,122</u>	<u>38,020</u>
	43,662	40,125
MEMBERS' SURPLUS		
SURPLUS	<u>137,142</u>	<u>146,011</u>
	<u><u>\$ 180,804</u></u>	<u><u>\$ 186,136</u></u>

ON BEHALF OF THE BOARD:

 Board Member

 Board Member

The accompanying notes form an integral part of these financial statements.

**EMBALMERS AND FUNERAL DIRECTORS BOARD OF
NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUE, EXPENSES AND SURPLUS
December 31, 2005**

	<u>2005</u>	<u>2004</u>
REVENUE		
Fees	\$ 39,996	\$ 41,288
Interest	1,275	1,076
	<u>\$ 41,271</u>	<u>\$ 42,364</u>
EXPENSES		
Bank charges	\$ 38	\$ 35
Board meetings	32,033	18,645
Education	-	250
Honorariums	2,400	2,400
Inspections	4,829	1,935
Insurance	1,780	1,680
Office	6,508	6,431
Professional fees	2,070	3,089
Telephone	482	263
	<u>\$ 50,140</u>	<u>\$ 34,727</u>
Excess (deficiency) of revenue over expenses	<u>\$ (8,869)</u>	<u>\$ 7,637</u>
<hr/>		
Surplus, beginning of year	\$ 146,011	\$ 138,374
Excess (deficiency) of revenue over expenses	<u>(8,869)</u>	<u>7,637</u>
Surplus, end of year	<u>\$ 137,142</u>	<u>\$ 146,011</u>

The accompanying notes form an integral part of these financial statements.

**EMBALMERS AND FUNERAL DIRECTORS BOARD OF
NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
for the year ended December 31, 2005**

	<u>2005</u>	<u>2004</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Operating activities:		
Excess of revenues over expenditures	\$ (8,869)	\$ 7,637
Adjustments for items not affecting cash:		
Amortization	-	-
Changes in non-cash operating working capital:		
Accounts receivable	(2,822)	2,500
Prepaid expenses	(208)	(23)
Accrued liabilities	1,435	(1,433)
Deferred revenue	2,102	(3,180)
Net (decrease) increase in cash and cash equivalents	(8,361)	5,502
Cash and cash equivalents, beginning	159,600	154,099
Cash and cash equivalents, end	<u>\$ 151,238</u>	<u>\$ 159,600</u>

<u>Cash and cash equivalents consists of:</u>	<u>2005</u>	<u>2004</u>
Cash	\$ 87,697	\$ 98,533
Term deposits	63,542	61,066
	<u>\$ 151,238</u>	<u>\$ 159,600</u>

The accompanying notes form an integral part of these financial statements.

**EMBALMERS AND FUNERAL DIRECTORS BOARD OF
NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

1. Summary of significant accounting policies

The financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

Use of estimates

In preparing the Board's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balance with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Balances at December 31, 2005 consisted of:

Cash	-	\$ 87,696.88
GIC Investment	-	<u>63,541.53</u>
		\$ 151,238.41

2. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

3. Deferred revenue

Deferred revenue is calculated as the revenue recorded in October-December of the current year which relates to fees that are collected in and are for the following year.

**EMBALMERS AND FUNERAL DIRECTORS BOARD OF
NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

4. Entity

It has been discussed with the board that according to the act regarding this entity, it is to be incorporated. The incorporation will be completed in 2006 and reporting will be adjusted accordingly in subsequent years.

Deloitte

Financial Statements of

**GENERAL HOSPITAL
HOSTEL ASSOCIATION**

March 31, 2006

Auditors' Report

To the Members of the Board of
General Hospital Hostel Association

We have audited the statement of financial position of the General Hospital Hostel Association as at March 31, 2006 and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements have been prepared to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Hospital Hostel Association at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting disclosed in Note 2 to the financial statements.

These financial statements, which have not been and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Directors of General Hospital Hostel Association and Newfoundland and Labrador Housing Corporation to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Deloitte & Touche LLP

Chartered Accountants
July 21, 2006

GENERAL HOSPITAL HOSTEL ASSOCIATION
Statement of Operations and Net Assets
Year Ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
REVENUE		
Rentals	1,353,388	1,334,721
Rental assistance subsidy (Note 10)	56,811	56,251
Interest	16,770	9,587
Other	22,396	23,046
	<u>1,449,365</u>	<u>1,423,605</u>
EXPENDITURES		
Wages and benefits	310,627	326,122
Housekeeping services	225,227	225,227
Interest on long-term debt	197,381	210,557
Laundry and linens	157,518	153,107
Maintenance	119,403	119,402
Utilities	90,134	94,686
Other supplies	23,339	32,409
Administration fees	14,323	14,323
Computer services	2,454	2,454
Professional fees	1,943	2,795
Insurance	1,715	1,715
	<u>1,144,064</u>	<u>1,182,797</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE UNDERNOTED ITEMS	<u>305,301</u>	<u>240,808</u>
Amortization of capital assets	317,656	304,517
Amortization of deferred capital contributions	(90,000)	(90,000)
Increase in severance pay accrual	4,862	11,067
	<u>232,518</u>	<u>225,584</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>72,783</u>	<u>15,224</u>

GENERAL HOSPITAL HOSTEL ASSOCIATION

Statement of Changes in Fund Balances

Year Ended March 31, 2006

	2006				2005
	Unrestricted	Net	Capital	Subsidy	Total
	Net Assets	Investment in Capital Assets	Replacement Reserve	Surplus Fund	
	\$	\$			\$
BALANCE, BEGINNING OF YEAR	83,434	395,288	235,495	37,329	751,546
-282- Excess of revenue over expenditures (expenditures over revenue)	300,439	(227,656)	-	-	72,783
Transfer to capital replacement reserve (Note 8)	(5,956)	-	5,956	-	-
Transfer to subsidy surplus fund (Note 9)	(945)	-	-	945	-
Repayment of long-term debt	(226,682)	226,682	-	-	-
BALANCE, END OF YEAR	150,290	394,314	241,451	38,274	824,329

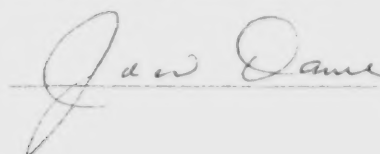
GENERAL HOSPITAL HOSTEL ASSOCIATION


Statement of Financial Position

March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
ASSETS		
CURRENT		
Cash and cash equivalents	241,108	198,117
Due from Eastern Regional Health Authority	12,482	-
Receivables	22,861	22,562
	276,451	220,679
RESTRICTED FUNDS (Note 3)	279,725	272,824
BUILDING AND EQUIPMENT (Note 4)	6,613,045	6,930,701
	7,169,221	7,424,204
LIABILITIES		
CURRENT		
Payables and accruals (Note 5)	56,084	61,816
Due to Eastern Regional Health Authority	-	10,214
Current portion of long-term debt (Note 6)	231,615	222,351
	287,699	294,381
LONG-TERM DEBT (Note 6)	4,502,116	4,738,062
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	1,485,000	1,575,000
ACCRUED SEVERANCE PAY	70,077	65,215
	6,344,892	6,672,658
NET ASSETS		
Unrestricted net assets	150,290	83,434
Net investment in capital assets	394,314	395,288
Capital replacement reserve (Note 8)	241,451	235,495
Subsidy Surplus Fund (Note 9)	38,274	37,329
	824,329	751,546
	7,169,221	7,424,204

ON BEHALF OF THE BOARD:

 Chairman

 Director

GENERAL HOSPITAL HOSTEL ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2006

	<u>2006</u>	<u>2005</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures	72,783	15,224
Adjustments for:		
Amortization of capital assets	317,656	304,517
Amortization of deferred capital contributions	(90,000)	(90,000)
Accrued severance pay	4,862	11,067
Change in non-cash operating working capital (Note 11)	(28,727)	(37,982)
	<u>276,574</u>	<u>202,826</u>
INVESTING ACTIVITY		
Increase in restricted funds	(6,901)	(4,448)
FINANCING ACTIVITY		
Repayment of long-term debt	(226,682)	(213,543)
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,991	(15,165)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	198,117	213,282
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>241,108</u>	<u>198,117</u>

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

1. NATURE OF OPERATIONS

The General Hospital Hostel Association ("the Hostel" or "the Association") was established to provide affordable, on-site accommodations to outpatients undergoing treatment and family members of inpatients.

On June 28, 2002 the extension to the Agnes Cowan Hostel was completed. At that time the Hostel assumed the services of the Northwest Rotary - Janeway Hostel Corporation.

The Hostel is incorporated under the Corporations Act of Newfoundland and is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with significant accounting policies set out below to comply with the mortgage agreement with Newfoundland and Labrador Housing Corporation (NLHC). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because:

- (a) amortization is not provided on the building over the estimated useful life of the assets but rather at a rate equal to the annual principal reduction of the mortgage;
- (b) capital assets purchased from the replacement reserve are charged against the replacement reserve account rather than being capitalized on the balance sheet and amortized over their estimated useful lives; and
- (c) a reserve for future capital placement is appropriated annually from operations.

The other significant accounting policies are as follows:

Revenue recognition

Revenues are recognized as earned and when collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with maturities of three months or less. Bank borrowings are considered to be financing activities.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on the buildings in an amount equal to the principal repayment on long-term debt, which approximates the useful life of the assets. Amortization is recorded on equipment on a declining balance basis using a rate of 20%.

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as amortization expense related to the capital assets purchased.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. Severance is payable when the employee ceases employment with the Association.

Pension costs

Employees of the Hostel are covered by the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador ("the Government"). Contributions to the plans are required from both the employees and the Hostel. The annual contributions for pensions are recognized in the accounts on a current basis.

Use of estimates

In preparing the Association's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. RESTRICTED FUNDS

These funds have been set aside to fund the balance of reserves required under an agreement with the Canada Mortgage and Housing Corporation. The balance is represented by the following:

	<u>2006</u>	<u>2005</u>
	\$	\$
Capital replacement reserve	241,451	235,495
Subsidy surplus fund	38,274	37,329
	<u>279,725</u>	<u>272,824</u>
Restricted funds consists of the following:		
Cash	279,725	272,824

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

4. BUILDING AND EQUIPMENT

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Building	8,323,323	1,712,228	6,611,095	6,927,777
Equipment	402,244	400,294	1,950	2,924
	8,725,567	2,112,522	6,613,045	6,930,701

5. PAYABLES AND ACCRUALS

	2006	2005
	\$	\$
Trade and sundry	28,369	31,500
Accrued vacation pay	27,715	30,316
	56,084	61,816

6. LONG-TERM DEBT

	2006	2005
	\$	\$
Newfoundland and Labrador Housing Corporation 5.79% first mortgage, maturing March 1, 2007, amortized to 2019, payable in monthly principal and interest instalments of \$14,566.	1,607,162	1,690,422
Royal Bank of Canada 6.50% term loan, maturing May 24, 2006, amortized to 2021, payable in monthly principal and interest instalments of \$8,188.	940,938	977,470
Eastern Regional Health Authority 2% loan, unsecured, maturing April 1, 2007, amortized to 2027, payable in monthly principal and interest instalments of \$12,647.	2,185,630	2,292,521
	4,733,730	4,960,413
Less: current portion	231,615	222,351
	4,502,115	4,738,062

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

6. LONG-TERM DEBT (Continued)

Principal repayments in each of the next five years are as follows:

	\$
2007	222,351
2008	233,815
2009	242,673
2010	253,204
2011	264,003

As collateral for the mortgage and term loan the Association has provided:

- a) a first mortgage and a fixed charge debenture on the hostel building;
- b) assignment of fire insurance on the hostel building;
- c) chattel mortgage over equipment;
- d) registered general assignment of rentals; and,
- e) corporate guarantee of the Eastern Regional Health Authority.

7. DEFERRED CAPITAL CONTRIBUTIONS

The Association has received the following capital contributions towards the cost of the construction of the extension to the existing Agnes Cowan Hostel.

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	1,575,000	1,665,000
Amortization	90,000	90,000
Balance, end of year	1,485,000	1,575,000

8. CAPITAL REPLACEMENT RESERVE

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	235,495	231,663
Interest earned	5,956	3,832
Balance, end of year	241,451	235,495

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

8. CAPITAL REPLACEMENT RESERVE (Continued)

Under the terms of an agreement with the Newfoundland and Labrador Housing Corporation ("the Corporation"), the Association is required to allocate an amount of the annual rental assistance received to a capital replacement reserve. The use of these funds is restricted to the purchase of approved capital items. During the 2003 fiscal year, the Corporation authorized the Association to suspend allocations to the capital replacement reserve until the cash flow position of the Association improved.

9. SUBSIDY SURPLUS FUND

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of year	37,329	36,713
Interest earned	945	616
Balance, end of year	<u>38,274</u>	<u>37,329</u>

Under the terms of an agreement with the Newfoundland and Labrador Housing Corporation, the Association is permitted to allocate an amount of the annual rental assistance received to a subsidy surplus fund in the year this assistance results in an operating surplus. These funds are to be used to meet future subsidy requirements of income tested occupants over and above the maximum federal assistance. During the 2003 fiscal year, the Corporation authorized the Association to suspend allocations to the subsidy surplus fund until the cash flow position of the Association improved and the payable to the Eastern Regional Health Authority is eliminated.

10. RENTAL ASSISTANCE SUBSIDY

The Association is receiving a rental subsidy from Canada Mortgage and Housing Corporation under the non-profit housing program. The maximum subsidy available is the amount required to effectively reduce the mortgage interest to 2%. The subsidy has two components:

- a) the amount of assistance required to bring the per unit actual rentals to the economic rental rate required to sustain the project, and,
- b) assistance to subsidize rent reductions to income tested occupants.

GENERAL HOSPITAL HOSTEL ASSOCIATION

Notes to Financial Statements

March 31, 2006

11. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital

	<u>2006</u>	<u>2005</u>
	\$	\$
Receivables	(299)	4,294
Payables and accruals	(5,732)	7,531
Due to Eastern Regional Health Authority	(22,696)	(49,807)
	<u>(28,727)</u>	<u>(37,982)</u>
Interest paid	<u>197,381</u>	<u>211,275</u>

12. RELATED PARTY TRANSACTIONS

The Hostel coordinates with the Eastern Regional Health Authority to provide quality accommodations to outpatients and family members of inpatients.

The Association had the following transactions with related parties during fiscal 2006:

- a) Rental revenue includes \$113,880 (2005 - \$113,880) charged to the Eastern Regional Health Authority.
- b) Expenditures include \$361,407 (2005 - \$361,407) charged by the Eastern Regional Health Authority for administration fees, computer services, housekeeping services, maintenance and security services.

Transactions between related parties are measured at their exchange value.

13. FINANCIAL INSTRUMENTS

The carrying value of the Association's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short term to maturity of these instruments.

Long-term debt, with the exception of the Eastern Regional Health Authority loan, approximates fair value based on current borrowing rates available to the Association. The Eastern Regional Health Authority loan bears interest at 2% and as such does not approximate fair value.

Financial Statements of

GRENFELL FOUNDATION INC.

March 31, 2005

Auditors' Report

To the Board of Directors of
Grenfell Foundation Inc.

We have audited the balance sheet of Grenfell Foundation Inc. as at March 31, 2005 and the statements of revenue and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, the Foundation derives revenues from donations and other voluntary sources, the completeness of which is not susceptible to audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of any adjustments which might have been necessary had we been able to satisfy ourselves as to the completeness of donations and other voluntary source revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 6, 2005

GRENFELL FOUNDATION INC.
Statement of Revenue and Expenditures
Year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
REVENUE		
Government grant (Note 3)	150,000	175,000
Donations	79,346	12,565
Fundraising	28,080	10,116
Miscellaneous	705	301
	<hr/> 258,131	<hr/> 197,982
EXPENDITURES		
Donation to Grenfell Regional Health Services Board	34,251	126,485
Wages	6,827	-
Heritage Night	3,868	-
Travel and entertainment	302	-
Trade show	100	-
Miscellaneous	214	346
Office supplies	80	-
Advertising and promotion	3,175	891
Professional fees	1,530	50
	<hr/> 50,347	<hr/> 127,774
EXCESS OF REVENUE OVER EXPENDITURES	<hr/> 207,784	<hr/> 70,208

GRENFELL FOUNDATION INC.**Statement of Changes in Net Assets**

Year ended March 31, 2005

	2005			2004
	Restricted for Endowment Purposes	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of the year	-	126,437	126,437	56,229
Excess of revenue over expenditures	-	207,784	207,784	70,208
Transfer from Grenfell Regional Health Health Services Board	778,231	-	778,231	-
Balance, end of the year	778,231	334,221	1,112,452	126,437

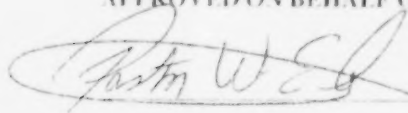
GRENFELL FOUNDATION INC.

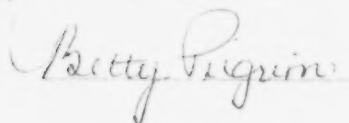
Balance Sheet

March 31, 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ASSETS		
CURRENT		
Cash	1,114,247	172,973
Due from Grenfell Regional Health Services Board	38,654	14,583
	<u>1,152,901</u>	<u>187,556</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	36,049	60,719
Deferred contributions	4,400	400
	<u>40,449</u>	<u>61,119</u>
NET ASSETS		
Endowment	778,231	
Unrestricted	334,221	126,437
	<u>1,152,901</u>	<u>187,556</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

GRENFELL FOUNDATION INC.

Notes to the Financial Statements

March 31, 2005

1. NATURE OF OPERATIONS AND INCOME TAX STATUS

The Grenfell Foundation Inc. (the "Foundation") is incorporated under the laws of the Province of Newfoundland and Labrador as a not-for-profit organization and is a registered charity under the Income Tax Act.

The purpose of the Foundation is to raise funds through endowments, bequests, public campaigns, and/or other fund-raising strategies to assist Grenfell Regional Health Services Board and the northern peninsula Region in achieving its charitable objectives.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

In-kind contributions

Since inception the Grenfell Regional Health Services Board has provided resources and has funded some operational costs to support the Foundation. It is estimated that these in-kind contributions totaled \$70,000 (2004 - \$56,000). Due to the difficulty in determining fair value, these in-kind contributions are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. GOVERNMENT GRANT

The government grant represents funding from the Province of Newfoundland and Labrador earmarked for priority capital equipment for the Grenfell Regional Health Services Board. The grant is based on a funding arrangement whereby the government matches funds raised by the Foundation.

GRENFELL FOUNDATION INC.

Notes to the Financial Statements

March 31, 2005

4. FINANCIAL INSTRUMENTS

The carrying value of the Foundation's financial instruments included in current assets and current liabilities approximate their fair value due to the short-term maturity and normal credit terms of the instruments.

5. STATEMENT OF CASH FLOWS

The statement of cash flows has not been prepared because it would not provide any additional useful information in understanding cash flows for the year.

Financial Statements of

**HEALTH CARE FOUNDATION OF
ST. JOHN'S INC.**

March 31, 2005

Auditors' Report

To the Board of Directors of
Health Care Foundation of St. John's Inc.

We have audited the statement of financial position of the Health Care Foundation of St. John's Inc. as at March 31, 2005 and the statement of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 30, 2005

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Operations

Year ended March 31, 2005

		2005		2004
	Operating	Capital		
	Fund	Fund	Total	Total
	\$	\$	\$	\$
REVENUE				
Donations and recoveries	159,795	1,202,695	1,362,490	2,117,353
Major gifts	397,416	-	397,416	225,267
Interest	27,651	225,880	253,531	466,387
Lotteries	170,820	-	170,820	155,018
Gala	167,180	-	167,180	161,371
Janeway Children's Hospital Foundation	-	100,000	100,000	450,000
Golf tournament	80,725	-	80,725	99,452
Bingo	49,750	-	49,750	23,750
In memoriams and bequests	27,563	-	27,563	51,550
Tree of memories	25,512	-	25,512	25,945
	1,106,412	1,528,575	2,634,987	3,776,093
EXPENDITURES				
Salaries and benefits	221,110	176,562	397,672	316,771
Consulting and professional fees	107,286	15,038	122,324	39,449
Office and administration	70,536	1,556	72,092	45,847
Lottery prizes	67,332	-	67,332	70,920
Gala	66,977	-	66,977	57,465
Public relations and communications	46,094	1,950	48,044	79,591
Travel and staff development	30,711	3,018	33,729	12,034
Postage	21,223	-	21,223	14,116
Golf tournament	17,093	-	17,093	22,626
Tree of memories	13,688	-	13,688	3,071
Depreciation	948	-	948	-
Printing	-	-	-	1,951
	662,998	198,124	861,122	663,841
EXCESS OF REVENUE OVER EXPENDITURES				
BEFORE UNDERNOTED ITEMS	443,414	1,330,451	1,773,865	3,112,252
Transfer to Capital Fund	(200,000)	200,000	-	-
Government matching - 1:1 (Note 5)	-	300,000	300,000	888,291
Government matching - 2:1 (Note 5)	-	2,505,390	2,505,390	3,824,502
Government capital grant (Note 5)	-	2,222,731	2,222,731	-
	(200,000)	5,228,121	5,028,121	4,712,793
EXCESS OF REVENUE OVER EXPENDITURES				
BEFORE CONTRIBUTIONS TO HEALTH CARE				
CORPORATION OF ST. JOHN'S	243,414	6,558,572	6,801,986	7,825,045
Contributions to Health Care Corporation of St. John's				
Capital expenditures	-	7,282,291	7,282,291	9,070,070
Scholarships and grants (Note 10)	63,043	-	63,043	56,837
	63,043	7,282,291	7,345,334	9,126,907
EXCESS OF REVENUE OVER EXPENDITURES				
(EXPENDITURES OVER REVENUE)	180,371	(723,719)	(543,348)	(1,301,862)

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.**Statement of Changes in Net Assets**

Year ended March 31, 2005

	<u>2005</u>			<u>2004</u>
	<u>Operating</u>	<u>Capital</u>		
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET ASSETS, BEGINNING OF YEAR	784,975	580,476	1,365,451	2,667,313
Excess of revenue over expenditures (expenditures over revenue)	180,371	(723,719)	(543,348)	(1,301,862)
NET ASSETS, END OF YEAR	965,346	(143,243)	822,103	1,365,451


HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Financial Position

March 31, 2005

	2005			2004
	Operating Fund \$	Capital Fund \$	Total \$	Total \$
ASSETS				
CURRENT				
Cash and cash equivalents	1,147,949	4,085,694	5,233,643	3,055,040
Accounts receivable	-	-	-	435
Investments (Note 4)	-	-	-	10,334
	1,147,949	4,085,694	5,233,643	3,065,809
RECEIVABLE FROM HEALTH CARE				
CORPORATION OF ST. JOHN'S (Note 5)	-	5,812,663	5,812,663	10,863,923
TRUST FUND (Note 6)	97,393	-	97,393	123,075
CAPITAL ASSETS (Note 7)	17,665	-	17,665	-
DONATED WORKS OF ART	-	-	-	5,750
	1,263,007	9,898,357	11,161,364	14,058,557
LIABILITIES				
CURRENT				
Payables and accruals	9,732	-	9,732	2,446
Due to Health Care				
Corporation of St. John's	162,623	4,220,059	4,382,682	1,674,468
Accrued vacation pay	18,299	8,878	27,177	8,193
	190,654	4,228,937	4,419,591	1,685,107
ACCRUED SEVERANCE PAY	9,614	-	9,614	44,140
DEFERRED CONTRIBUTIONS	-	5,812,663	5,812,663	10,840,784
TRUST FUND (Note 6)	97,393	-	97,393	123,075
	297,661	10,041,600	10,339,261	12,693,106
NET ASSETS				
Restricted net assets (Note 8)	500,000	(143,243)	356,757	1,080,476
Unrestricted net assets	465,346	-	465,346	284,975
	965,346	(143,243)	822,103	1,365,451
	1,263,007	9,898,357	11,161,364	14,058,557

 Chair

 Treasurer

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Cash Flows

Year ended March 31, 2005

	2005			2004
	Operating	Capital	Total	Total
	Fund	Fund		
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess of revenue over expenditures (expenditures over revenue)	180,371	(723,719)	(543,348)	(1,301,862)
Depreciation	948	-	948	-
Write off of works of art	5,750	-	5,750	-
Increase (decrease) in severance pay accrual	9,614	(44,140)	(34,526)	31,640
	196,683	(767,859)	(571,176)	(1,270,222)
Changes in non-cash operating working capital (Note 9)	185,314	2,549,605	2,734,919	(2,862,310)
	381,997	1,781,746	2,163,743	(4,132,532)
FINANCING ACTIVITY				
Decrease in deferred contributions	-	(5,028,121)	(5,028,121)	(1,912,794)
INVESTING ACTIVITIES				
Advances from Health Care Corporation of St. John's	23,139	5,028,121	5,051,260	1,889,655
Purchase of investments	-	-	-	(1,048,702)
Purchase of capital assets	(18,613)	-	(18,613)	-
Proceeds on sale of investments	10,334	-	10,334	1,278,295
	14,860	5,028,121	5,042,981	2,119,248
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	396,857	1,781,746	2,178,603	(3,926,078)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	751,092	2,303,948	3,055,040	6,981,118
CASH AND CASH EQUIVALENTS, END OF YEAR	1,147,949	4,085,694	5,233,643	3,055,040

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2005

1. NATURE OF OPERATIONS

The Health Care Foundation of St. John's Inc. (the "Foundation") raises funds to meet the financial needs of the Health Care Corporation of St. John's for capital projects, equipment, programs and research directly related to the health and welfare of the people of Newfoundland and Labrador, while promoting public awareness of these needs.

The Foundation is a registered charity and, while registered, is exempt from income tax and may issue tax-deductible receipts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of presentation

The Operating Fund raises funds to help support the St. Clare's Mercy Hospital, General Hospital – Health Sciences Centre and the Dr. L.A Miller Centre.

The Capital Fund consists of donations received from corporations and individuals, as well as foundations and auxiliaries, with matching funds provided by the Government of Newfoundland and Labrador. This fund was established to assist with the purchase of equipment for various hospital sites of the Health Care Corporation of St. John's.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the years in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable and when collectibility is reasonably assured.

Revenue from donations, including pledges, is recognized in the accounts of the Foundation in the year in which it is received.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts.

Investments

Investments are recorded at cost plus accrued interest. Gains or losses on disposals of investments are reflected in the accounts in the year of disposal.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis at a rate of 20%.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated property and equipment

The Foundation records donated property and equipment at fair value.

Deferred contributions

Contributions received from the Government of Newfoundland and Labrador in relation to the Capital Campaign are deferred and recognized as revenue when matching funds are received from corporations, individuals, foundations and auxiliaries. The Capital Campaign concluded as of March 31 2005 and the government has allowed the Corporation to retain the balance as a capital grant (Note 5).

Pension costs

Employees of the Foundation are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Foundation. The annual contributions for pensions are recognized in the accounts on a current basis.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for an employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Use of estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. CONTROL OF NOT-FOR-PROFIT ENTITY

The Foundation controls the Waterford Foundation Inc. The Waterford Foundation Inc. is a registered charitable organization incorporated to raise funds for public awareness and provide programs and services for mental health clients in Newfoundland and Labrador.

On November 1, 2002, the Health Care Foundation of St. John's Inc. assumed the operations of the General Hospital Health Foundation, the St. Clare's Mercy Hospital Foundation and the Capital Campaign Fund. The Waterford Foundation Inc. continues to operate as a separate entity, but reports to the Board of Directors of the Health Care Foundation of St. John's Inc.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2005

3. CONTROL OF NOT-FOR-PROFIT ENTITY (Continued)

Waterford Foundation Inc. has not been consolidated in the Foundation's financial statements, however, separate financial statements are available on request. A financial summary of this non-consolidated entity as at March 31, 2005 and for the year then ended is as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Financial Position		
Total assets	1,503,327	1,246,964
Total liabilities	170,965	170,920
Total net assets	1,332,362	1,076,044
	1,503,327	1,246,964
Results of Operations		
Total revenue	2,031,821	1,995,024
Total expenditure	1,775,503	1,723,091
Excess of revenue over expenditure	256,318	271,933
Cash Flows		
Cash from operations	241,830	339,934
Cash used in financing and investing activities	68,454	56,393
Increase in cash	173,376	283,541

4. INVESTMENTS

	<u>2005</u>	<u>2004</u>
	\$	\$
Investment certificate	-	10,334

5. HEALTH CARE CORPORATION OF ST. JOHN'S

Since the inception of the Capital Campaign, the Government of Newfoundland and Labrador has advanced to the Operating Fund of the Health Care Corporation of St. John's \$25,000,000. These funds are repaid to the Capital Fund of the Foundation by the Health Care Corporation of St. John's as matching funds are earned.

As of March 31, 2005, the Foundation has concluded its Capital Campaign. Of the \$25,000,000 advanced by the province in matching funds, all but \$8,035,393 was earned by year end. The province has given permission to the Health Care Corporation to use the balance of these funds for purchase of capital equipment over a two year period ending March 31, 2006. Of these funds, \$2,222,731 was used during the year ended March 31, 2005 with the balance of \$5,812,662 recorded as deferred contribution.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2005

6. TRUST FUND

The Trust Fund represents an in-memoriam donation received for special purposes. This fund is invested and will be disbursed for special projects.

7. CAPITAL ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	18,613	948	17,665	-

8. RESTRICTED NET ASSETS - OPERATING FUND

During 2001, the St. Clare's Mercy Hospital Foundation restricted \$500,000 of its net assets for the purchase of an MRI unit for St. Clare's Mercy Hospital. This amount remains restricted as of March 31, 2005.

9. SUPPLEMENTAL CASH FLOW INFORMATION

	2005		2004	
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Changes in non-cash operating working capital				
Accounts receivable	435	-	435	(435)
Payables and accruals	7,286	-	7,286	(1,965)
Due to Health Care Corporation of St. John's	162,623	2,545,591	2,708,214	(2,856,701)
Accrued vacation pay	14,970	4,014	18,984	(3,209)
	185,314	2,549,605	2,734,919	(2,862,310)

10. COMMITMENTS

During the year, \$63,043 of committed funds was disbursed in the form of scholarships and grants. The outstanding commitments at March 31, 2005 were \$327,520.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2005

11. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to help support the various sites of the Health Care Corporation of St. John's. Transactions between these related parties are measured at their exchange value.

12. FINANCIAL INSTRUMENTS

The carrying value of the Foundation's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short-term to maturity of these instruments.

13. COMPARATIVE FIGURES

The prior year's figures were reported on by another auditor who expressed their opinion in the audit report dated July 16, 2004.



Financial Statements of

**HEALTH CARE FOUNDATION OF
ST. JOHN'S INC.**

March 31, 2006

Auditors' Report

To the Board of Directors of
Health Care Foundation of St. John's Inc.

We have audited the statement of financial position of the Health Care Foundation of St. John's Inc. as at March 31, 2006 and the statement of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 15, 2006

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Operations

Year ended March 31, 2006

	2006			2005
	Operating	Capital		
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
REVENUE				
Major gifts/Capital Fund	1,143,499	-	1,143,499	1,700,111
Annual giving	414,628	-	414,628	405,877
Special events	285,514	-	285,514	247,905
Planned giving	140,713	-	140,713	27,563
Interest	29,749	18,096	47,845	253,531
	2,014,103	18,096	2,032,199	2,634,987
EXPENDITURES				
Salaries and benefits	396,350	-	396,350	397,672
Administration	121,657	-	121,657	249,368
Special events	118,627	-	118,627	84,070
Annual giving	95,357	-	95,357	81,020
Communications	23,520	-	23,520	48,044
Major gifts	17,056	-	17,056	-
Donor stewardship	5,855	-	5,855	-
Amortization	3,723	-	3,723	948
Planned giving	2,355	-	2,355	-
	784,500	-	784,500	861,122
EXCESS OF REVENUE OVER EXPENDITURES				
BEFORE UNDERNOTED ITEMS	1,229,603	18,096	1,247,699	1,773,865
Government matching - 1:1	-	-	-	300,000
Government matching - 2:1	-	-	-	2,505,390
Government capital grant	-	-	-	2,222,731
	-	-	-	5,028,121
EXCESS OF REVENUE OVER EXPENDITURES				
BEFORE UNDERNOTED CONTRIBUTIONS	1,229,603	18,096	1,247,699	6,801,986
Contributions to Eastern Regional Health Authority				
Capital expenditures	1,693,287	-	1,693,287	7,282,291
Scholarships and grants	194,200	-	194,200	63,043
	1,887,487	-	1,887,487	7,345,334
EXCESS OF REVENUE OVER EXPENDITURES				
(EXPENDITURES OVER REVENUE)	(657,884)	18,096	(639,788)	(543,348)

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Changes in Net Assets

Year ended March 31, 2006

	2006				2005	
	Operating Fund		Capital Fund		Total	Total
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>\$</u>	<u>\$</u>
	\$	\$	\$	\$	\$	\$
NET ASSETS, BEGINNING OF YEAR	500,000	465,346	(143,243)	-	822,103	1,365,451
Excess of revenue over expenditures (expenditures over revenue)	(500,000)	(157,884)	18,096	-	(639,788)	(543,348)
NET ASSETS, END OF YEAR	-	307,462	(125,147)	-	182,315	822,103

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Financial Position

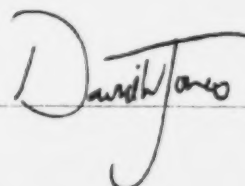
March 31, 2006

	2006			2005
	Operating	Capital	Total	Total
	Fund	Fund		
	\$	\$	\$	\$
ASSETS				
CURRENT				
Cash and cash equivalents	1,680,727	1,050	1,681,777	5,233,643
Accounts receivable	41	-	41	-
	1,680,768	1,050	1,681,818	5,233,643
RECEIVABLE FROM EASTERN REGIONAL				
HEALTH AUTHORITY	-	-	-	5,812,663
TRUST FUND (Note 4)	97,393	-	97,393	97,393
CAPITAL ASSETS (Note 5)	13,942	-	13,942	17,665
	1,792,103	1,050	1,793,153	11,161,364
LIABILITIES				
CURRENT				
Payables and accruals	8,426	-	8,426	9,732
Due to Eastern Regional				
Health Authority	1,291,476	126,197	1,417,673	4,382,682
Accrued vacation pay	30,913	-	30,913	27,177
	1,330,815	126,197	1,457,012	4,419,591
ACCRUED SEVERANCE PAY	11,422	-	11,422	9,614
RN SCHOLARSHIP	45,011	-	45,011	-
DEFERRED CONTRIBUTIONS	-	-	-	5,812,663
TRUST FUND (Note 4)	97,393	-	97,393	97,393
	1,484,641	126,197	1,610,838	10,339,261
NET ASSETS				
Restricted net assets	-	(125,147)	(125,147)	356,757
Unrestricted net assets	307,462	-	307,462	465,346
	307,462	(125,147)	182,315	822,103
	1,792,103	1,050	1,793,153	11,161,364

ON BEHALF OF THE BOARD:



Director



Director

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Statement of Cash Flows

Year ended March 31, 2006

	2006			2005
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess of revenue over expenditures (expenditures over revenue)	(657,884)	18,096	(639,788)	(543,348)
Amortization	3,723	-	3,723	948
Write off of works of art	-	-	-	5,750
Increase (decrease) in severance pay accrual	1,808	-	1,808	(34,526)
	(652,353)	18,096	(634,257)	(571,176)
Changes in non-cash operating working capital (Note 6)	1,140,120	(4,102,740)	(2,962,620)	2,734,919
	487,767	(4,084,644)	(3,596,877)	2,163,743
FINANCING ACTIVITY				
Decrease in deferred contributions	-	(5,812,663)	(5,812,663)	(5,028,121)
INVESTING ACTIVITIES				
Advances from Eastern Regional Health Authority	-	5,812,663	5,812,663	5,051,260
Purchase of capital assets	-	-	-	(18,613)
Proceeds on sale of investments	-	-	-	10,334
Increase in RN Scholarship	45,011	-	45,011	-
	45,011	5,812,663	5,857,674	5,042,981
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	532,778	(4,084,644)	(3,551,866)	2,178,603
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	1,147,949	4,085,694	5,233,643	3,055,040
CASH AND CASH EQUIVALENTS, END OF YEAR	1,680,727	1,050	1,681,777	5,233,643

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2006

1. NATURE OF OPERATIONS

The Health Care Foundation of St. John's Inc. (the "Foundation") raises funds to meet the financial needs of the Eastern Regional Health Authority for capital projects, equipment, programs and research directly related to the health and welfare of the people of Newfoundland and Labrador, while promoting public awareness of these needs.

The Foundation is a registered charity and, while registered, is exempt from income tax and may issue tax-deductible receipts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of presentation

The Operating Fund raises funds to help support the St. Clare's Mercy Hospital, General Hospital – Health Sciences Centre and the Dr. L.A Miller Centre.

The Capital Fund consists of donations received from corporations and individuals, as well as foundations and auxiliaries, with matching funds provided by the Government of Newfoundland and Labrador. This fund was established to assist with the purchase of equipment for various hospital sites of the Eastern Regional Health Authority.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions whereby restricted contributions are recognized as revenue in the years in which the related expenses are incurred.

Unrestricted contributions, excluding donations, are recognized as revenue when received or receivable and when collectibility is reasonably assured.

Revenue from donations, including pledges, is recognized in the accounts of the Foundation in the year in which it is received.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts.

Investments

Investments are recorded at cost plus accrued interest. Gains or losses on disposals of investments are reflected in the accounts in the year of disposal.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis at a rate of 20%.

Donated property and equipment

The Foundation records donated property and equipment at fair value.

Deferred contributions

Contributions received from the Government of Newfoundland and Labrador in relation to the Capital Campaign are deferred and recognized as revenue when matching funds are received from corporations, individuals, foundations and auxiliaries. The Capital Campaign concluded as of March 31 2005 and the government has allowed the Corporation to retain the balance as a capital grant.

Pension costs

Employees of the Foundation are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Foundation. The annual contributions for pensions are recognized in the accounts on a current basis.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for an employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Use of estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2006

3. CONTROL OF NOT-FOR-PROFIT ENTITY

The Foundation controls the Waterford Foundation Inc. The Waterford Foundation Inc. is a registered charitable organization incorporated to raise funds for public awareness and provide programs and services for mental health clients in Newfoundland and Labrador.

On November 1, 2002, the Health Care Foundation of St. John's Inc. assumed the operations of the General Hospital Health Foundation, the St. Clare's Mercy Hospital Foundation and the Capital Campaign Fund. The Waterford Foundation Inc. continues to operate as a separate entity, but reports to the Board of Directors of the Health Care Foundation of St. John's Inc.

Waterford Foundation Inc. has not been consolidated in the Foundation's financial statements; however, separate financial statements are available on request. A financial summary of this non-consolidated entity as at March 31, 2006 and for the year then ended is as follows:

	<u>2006</u> \$	<u>2005</u> \$
Financial Position		
Total assets	1,780,958	1,503,327
Total liabilities	263,531	170,965
Total net assets	1,517,427	1,332,362
	1,780,958	1,503,327
Results of Operations		
Total revenue	2,423,989	2,031,821
Total expenditure	2,238,924	1,775,503
Excess of revenue over expenditure	185,065	256,318
Cash Flows		
Cash from operations	350,600	241,830
Cash used in financing and investing activities	41,477	68,454
Increase in cash	309,123	173,376

4. TRUST FUND

The Trust Fund represents an in-memoriam donation received for special purposes. This fund is invested and will be disbursed for special projects.

HEALTH CARE FOUNDATION OF ST. JOHN'S INC.

Notes to Financial Statements

March 31, 2006

5. CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	18,612	4,670	13,942	17,665

6. SUPPLEMENTAL CASH FLOW INFORMATION

	2006			2005
	Operating Fund	Capital Fund	Total	Total
	\$	\$	\$	\$
Changes in non-cash operating working capital				
Accounts receivable	(41)	-	(41)	435
Payables and accruals	(1,306)	-	(1,306)	7,286
Due to Health Care Corporation of St. John's	1,128,853	(4,093,862)	(2,965,009)	2,708,214
Accrued vacation pay	12,614	(8,878)	3,736	18,984
	1,140,120	(4,102,740)	(2,962,620)	2,734,919

7. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to help support the various sites of the Eastern Regional Health Authority. Transactions between these related parties are measured at their exchange value.

8. FINANCIAL INSTRUMENTS

The carrying value of the Foundation's financial instruments included in current assets and current liabilities approximates fair value due to the relatively short-term to maturity of these instruments.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

**HERITAGE FOUNDATION OF
NEWFOUNDLAND AND LABRADOR
FINANCIAL STATEMENTS
31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Heritage Foundation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Heritage Foundation of Newfoundland and Labrador as at 31 March 2006 and the statements of revenues, expenses and fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
7 June 2006

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 March

2006

2005

ASSETS

Current

Cash	\$ -	\$ 151,517
Investments, at cost (Note 2)	260,131	229,996
Accounts receivable	162,836	23,369
Investment income receivable	1,188	497
Prepaid expenses	376	361
	<u>424,531</u>	<u>405,740</u>

Capital assets (Note 3)

	\$ -	\$ -
	<u>\$ 424,531</u>	<u>\$ 405,740</u>

LIABILITIES AND FUND BALANCE

Current

Bank overdraft	\$ 2,380	\$ -
Accounts payable and accrued liabilities	28,514	28,426
	<u>30,894</u>	<u>28,426</u>

Deferred revenue (Note 4)

	181,091	100,085
	<u>211,985</u>	<u>128,511</u>

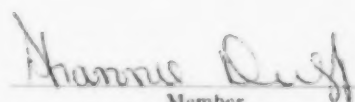
Fund balance (Note 5)

	212,546	277,229
	<u>\$ 424,531</u>	<u>\$ 405,740</u>

See accompanying notes

Signed on behalf of the Foundation:


Chairperson


Member

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
For the Year Ended 31 March

For the Year Ended 31 March	2006	2005	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES			
Government of Canada (Note 6)	\$ 284,550	\$ -	\$ 301,714
Province of Newfoundland and Labrador (Note 4)	242,469	250,000	210,305
Investment income	9,478	-	3,902
Miscellaneous	7,536	-	13,000
	544,033	250,000	528,921
EXPENSES			
Board travel and meetings	9,118	18,000	8,158
Easement registration	929	800	838
Fisheries heritage grants	22,744	-	40,305
Heritage grants	79,278	100,000	77,000
Historic places initiative (Note 6)	284,550	-	271,188
Miscellaneous	6,543	3,000	4,887
Newman Wine Vaults project	21,861	-	-
Office supplies	1,930	2,500	2,951
Plaquing	4,327	4,000	1,589
Professional fees	4,565	2,500	1,575
Public relations	70	-	1,000
Salaries and benefits	170,095	158,500	186,566
Special projects	300	-	2,145
Telephone	949	2,400	2,138
Travel	1,457	2,500	2,076
	608,716	294,200	602,416
Excess of expenses over revenues	(64,683)	(44,200)	(73,495)
Fund balance, beginning of year	277,229	277,229	350,724
Fund balance, end of year	\$ 212,546	\$ 233,029	\$ 277,229

See accompanying notes

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2006	2005
Cash flows from operating activities		
Excess of expenses over revenues	\$ (64,683)	\$ (73,495)
Changes in non-cash working capital		
Accounts receivable	(139,467)	13,282
Investment income receivable	(691)	(345)
Prepaid expenses	(15)	(46)
Accounts payable and accrued liabilities	88	(24,844)
	(204,768)	(85,448)
Increase in deferred revenue (Note 4)	81,006	39,695
	(123,762)	(45,753)
Cash flows from investing activities		
Purchase of capital assets from capital contributions	(25,440)	(51,877)
Cash flows from financing activities		
Contribution from Government of Canada to purchase capital assets (Note 6)	25,440	51,877
Net decrease in cash and cash equivalents	(123,762)	(45,753)
Cash and cash equivalents, beginning of year	381,513	427,266
Cash and cash equivalents, end of year	\$ 257,751	\$ 381,513
Cash and cash equivalents include:		
Cash (Bank overdraft)	\$ (2,380)	\$ 151,517
Investments	260,131	229,996
	\$ 257,751	\$ 381,513

See accompanying notes

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the *Historic Resources Act*. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

- (a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;
- (b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and
- (c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

1. Significant accounting policies

These financial statements have been prepared by the Foundation's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets consist of systems development and computer equipment which were capitalized at cost at the time of acquisition. Contributions toward the acquisition of capital assets are deducted from the related capital asset cost with any amortization calculated on the net amount over a period of five years from the date of acquisition.

Minor capital asset purchases are charged to operations in the year of acquisition.

(b) Investment income

Investment income is recorded as earned.

2. Investments

	2006		2005
	Cost	Market Value	Cost
Scotia Money Market Fund	\$ -	\$ -	\$ 3,917
Short-term investments	260,131	260,131	226,079
	<u>\$ 260,131</u>	<u>\$ 260,131</u>	<u>\$ 229,996</u>

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 March 2006

3. Capital assets

	2006			2005	
	Cost	Capital Contributions	Accumulated Amortization	Net Book Value	Net Book Value
Systems development	\$ 210,898	\$ 210,898	\$ -	\$ -	\$ -
Computer equipment	54,082	54,082	-	-	-
	\$ 264,980	\$ 264,980	\$ -	\$ -	\$ -

4. Deferred revenue

Deferred revenue as at 31 March 2006 consists of contributions received from the Province of Newfoundland and Labrador to be used for the payment of heritage grants. It also consists of contributions received from the Province to undertake a *Fisheries Heritage Preservation Initiative* focussing on the preservation and conservation of structures and buildings relating to the fisheries heritage of the Province. The revenue will be recognized in future operating periods as eligible expenditures are incurred.

In addition, during 2006 funding of \$23,475 was received from the Province for a project to renovate the interior of the Newman Wine Vaults Provincial Historic Site. The entire funding was recognized in income during the year.

	2006	2005
Balance, beginning of year	\$ 100,085	\$ 60,390
Contribution from Province of Newfoundland and Labrador:		
Operating expenses and payment of heritage grants	250,000	250,000
Fisheries Heritage Preservation Initiative	50,000	-
Newman Wine Vaults Project	23,475	-
	323,475	250,000
Less: Contribution from Province of Newfoundland and Labrador recognized in income during year:		
Operating expenses and payment of heritage grants	(191,250)	(170,000)
Fisheries Heritage Preservation Initiative	(27,744)	(40,305)
Newman Wine Vaults Project	(23,475)	-
	(242,469)	(210,305)
Increase during the year	81,006	39,695
Balance, end of year	\$ 181,091	\$ 100,085

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 March 2006

5. Fund balance

Section 25 of the *Historic Resources Act* requires the Foundation to maintain a Fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the Fund may be made by the Foundation for the purposes set out in the Legislation.

As at 31 March 2006, \$176,119 (2005 - \$152,591) of this Fund has been committed in the form of grants approved but not yet disbursed or rescinded. The allocation of the Fund balance between committed and uncommitted funds is:

	2006	2005
Committed funds	\$ 176,119	\$ 152,591
Uncommitted funds	36,427	124,638
Fund balance	\$ 212,546	\$ 277,229

In 1994-95, the Foundation adopted a policy with respect to grant commitments. All grants approved will be available for a period of two years from the date of grant approval. Clients not utilizing the grants within this timeframe will forfeit their right to these grants.

6. Government of Canada

On 4 April 2003, the Province entered into a Contribution Agreement with the Government of Canada to fund the Historic Places Initiative. The objectives of the Contribution Agreement are to develop an online Provincial Registry of Historic Places and to develop and implement programs related to promoting and integrating the Historic Places Initiative at the Provincial level in Newfoundland and Labrador.

The Province has appointed the Foundation to administer this Initiative on its behalf. During the year the Foundation recognized revenue relating to this Initiative in the amount of \$284,550 (2005 - \$301,714). In addition, the Foundation received capital contributions in the amount of \$25,440 (2005 - \$51,877) relating to this Initiative. This amount was applied towards the acquisition costs of systems development and computer equipment.

7. Operating lease obligation

Office equipment has been leased by the Foundation. Minimum lease payments for the next five years are as follows:

2007	\$ 4,197
2008	\$ 4,197
2009	\$ 4,197
2010	\$ 4,197
2011	\$ 4,197

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 March 2006

8. Related party transactions

The Foundation leases office space from the Province of Newfoundland and Labrador at an annual rate of \$1. Included in accounts receivable is a grant from the Province in the amount of \$25,000 (2005 - \$0) relating to the Fisheries Heritage Preservation Initiative.

9. Financial instruments

The Foundation's financial instruments recognized on the balance sheet consist of investments, accounts receivable, investment income receivable, bank overdraft and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Accounts receivable is due primarily from the Government of Canada and Province of Newfoundland and Labrador and therefore there is no credit risk associated with this amount.

10. Subsequent event

On 28 April 2006, the Foundation adopted a policy of accruing severance pay for its employees. This policy will result in accrued severance pay being recorded in fiscal years commencing with 2006-07. Under this policy, severance pay will be calculated based on years of service and current salary levels. The entitlement to severance pay will vest with employees after nine years of continual service, and accordingly no provision will be made in the accounts for employees with less than nine years of continual service. The amount will be payable when the employee ceases employment in the public service. If the employee transfers to another entity within the public service, then the liability will transfer with the employee to the other entity. The Foundation estimates the accrued severance liability as of April 2006 to be \$34,000.

11. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to fund its operations, the Foundation's ability to continue operations is dependent upon the decisions of Government.

12. Income taxes

The Foundation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Financial Statements

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

March 31, 2006

Auditors' Report

To the Directors of
Janeway Children's Hospital Foundation

We have audited the statement of financial position of the Janeway Children's Hospital Foundation as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives certain of its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
September 1, 2006

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31

	General Fund \$	In-Memoriam Fund \$	Endowment Fund \$	2006 \$	2005 \$
REVENUE					
Miracle Network Telethon projects and donations	1,666,298	-	-	1,666,298	1,573,849
Donations restricted	801,907	-	-	801,907	-
Golf	138,406	-	-	138,406	118,662
Christmas Appeal donations	106,108	-	-	106,108	92,343
Bequests and in-memoriam donations	39,068	27,007	28,376	94,451	246,891
Interest	57,716	-	18,102	75,818	32,746
Radiothon	50,929	-	-	50,929	30,526
Jeans Day	29,741	-	-	29,741	20,985
Atlantic Fundraising Association	11,400	-	-	11,400	3,773
Teddy Bear Bash	10,590	-	-	10,590	500
Other funding	7,015	-	-	7,015	8,023
Capital campaign	-	-	-	-	100,000
Pumpkin feast	-	-	-	-	11,592
	2,919,178	27,007	46,478	2,992,663	2,239,890
EXPENDITURE					
Miracle Network Telethon (Page 10)	399,079	-	-	399,079	497,023
Salaries and benefits	113,395	-	-	113,395	127,346
Planned giving	44,604	7,805	-	52,409	52,442
Christmas Appeal (Page 11)	46,749	-	-	46,749	37,268
Golf	40,760	-	-	40,760	35,516
General administration	28,210	-	-	28,210	40,800
Radiothon	27,962	-	-	27,962	10,151
Depreciation	15,903	-	-	15,903	15,903
Maintenance contract	9,514	-	-	9,514	11,650
Jeans Day	6,825	-	-	6,825	6,431
Public relations and advertising	4,963	-	-	4,963	9,913
Travel and conferences	2,138	-	-	2,138	8,551
Professional fees	875	-	-	875	(6,552)
Teddy Bear Bash	733	-	-	733	2,670
Pumpkin feast	-	-	-	-	5,835
Write-down of investment	-	-	-	-	55,155
	741,710	7,805	-	749,515	910,102
EXCESS OF REVENUE OVER EXPENDITURE	2,177,468	19,202	46,478	2,243,148	1,329,788
DONATIONS (Note 5)					
Eastern Regional Health Authority	1,015,118	-	-	1,015,118	388,526
Capital campaign	-	-	-	-	200,000
Other	409,407	-	-	409,407	179,711
Other health care	72,451	-	-	72,451	154,368
	1,496,976	-	-	1,496,976	922,605
EXCESS OF REVENUE OVER EXPENDITURE	680,492	19,202	46,478	746,172	407,183

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Changes in Net Assets

Year ended March 31

	General <u>Fund</u> \$	In-Memoriam <u>Fund</u> \$	Endowment <u>Fund</u> \$	<u>2006</u> \$	<u>2005</u> \$
NET ASSETS, BEGINNING OF YEAR	685,930	65,267	620,885	1,372,082	964,899
EXCESS OF REVENUE OVER EXPENDITURE	680,492	19,202	46,478	746,172	407,183
NET ASSETS, END OF YEAR	1,366,422	84,469	667,363	2,118,254	1,372,082

JANEWAY CHILDREN'S HOSPITAL FOUNDATION
Statement of Financial Position

March 31

	<u>General</u> <u>Fund</u> \$	<u>In-Memoriam</u> <u>Fund</u> \$	<u>Endowment</u> <u>Fund</u> \$	<u>2006</u> \$	<u>2005</u> \$
ASSETS					
CURRENT					
Cash and cash equivalents	240,120	84,469	-	324,589	1,432,845
Receivables	12,606	-	-	12,606	-
Prepaid expenses	89,730	-	-	89,730	41,727
	342,456	84,469	-	426,925	1,474,572
INVESTMENTS (Note 3)	2,013,956		667,550	2,681,506	521,757
CAPITAL ASSETS (Note 4)	21,165	-	-	21,165	37,068
	2,377,577	84,469	667,550	3,129,596	2,033,397
LIABILITIES					
CURRENT					
Payables and accruals	57,003	-	187	57,190	16,511
Due to Eastern Regional Health Authority	896,117	-	-	896,117	325,645
Deferred contributions	41,743	-	-	41,743	304,669
	994,863	-	187	995,050	646,825
Accrued severance pay	16,292	-	-	16,292	14,490
	1,011,155	-	187	1,011,342	661,315
NET ASSETS					
Net assets invested in capital assets	21,165	-	-	21,165	37,068
Unrestricted net assets	1,295,257	-	-	1,295,257	648,862
Restricted net assets	50,000	84,469	667,363	801,832	686,152
	1,366,422	84,469	667,363	2,118,254	1,372,082
	2,377,577	84,469	667,550	3,129,596	2,033,397

[Signature]

Commeau

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31

	General Fund \$	In-Memoriam Fund \$	Endowment Fund \$	2006 \$	2005 \$
OPERATING ACTIVITIES					
Excess of revenue over expenditure	680,492	19,202	46,478	746,172	407,183
Depreciation	15,903	-	-	15,903	15,903
Increase (decrease) in severance pay accrual	1,802	-	-	1,802	(3,848)
Change in non-cash operating working capital (Note 6)	287,429	-	187	287,616	93,144
	985,626	19,202	46,665	1,051,493	512,382
INVESTING ACTIVITIES					
Decrease in long term investment	-	-	-	-	78,782
Increase in investments	(2,013,956)	-	(145,793)	(2,159,749)	(11,391)
Purchase of capital assets	-	-	-	-	(5,245)
	(2,013,956)	-	(145,793)	(2,159,749)	62,146
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,028,330)	19,202	(99,128)	(1,108,256)	574,528
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,268,450	65,267	99,128	1,432,845	858,317
CASH AND CASH EQUIVALENTS, END OF YEAR	240,120	84,469	-	324,589	1,432,845
REPRESENTED BY					
Bank balances	239,720	84,469	-	324,189	1,432,445
Cash on hand	400	-	-	400	400
	240,120	84,469	-	324,589	1,432,845

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

March 31, 2006

1. NATURE OF OPERATIONS

The Janeway Children's Hospital Foundation is a registered charitable organization created to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research directly related to the health and welfare of Newfoundland and Labrador children, while promoting public awareness of these needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of presentation

The Foundation applies the restricted fund method of accounting for contributions:

The General Fund contains all of the operating assets, liabilities, revenue and expenditure of the Foundation related to the organization's mandate to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research.

The In-Memorial Fund represents donations received from donors for a designated purpose. These donations are held in bank accounts until disbursed for specific projects.

The Endowment Fund represents donations received from donors specifically for the Little Red Wagon Endowment Fund along with any bequests and in-memorial donation that have not been designated for a specific purpose. These donations will be disbursed based on recommendations from the Board.

Revenue recognition

Revenue from donations is recognized in the accounts of the Foundation in the year in which it is received. All other revenues are recognized as earned and when collectibility is reasonably assured.

In-kind contributions are recorded when fair value is determinable.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short-term investments with maturities of three months or less.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over five years.

Vacation pay and other benefits

Vacation pay and other benefits are recorded in the accounts of the Foundation on the accrual basis.

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

March 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Use of estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

3. INVESTMENTS

	<u>2006</u>	<u>2005</u>
	\$	\$
Guaranteed investment certificate, due April 24, 2006, at an interest rate of 3.41%	2,013,956	-
Guaranteed investment certificate, due April 3, 2006, bearing interest at 3.26%	667,550	-
Guaranteed investment certificate matured April 4, 2005	-	521,757
	<u>2,681,506</u>	<u>521,757</u>

4. CAPITAL ASSETS

	<u>2006</u>			<u>2005</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	138,849	117,684	21,165	37,068

JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

March 31, 2006

5. DONATIONS

	<u>2006</u>	<u>2005</u>
	\$	\$
Capital campaign	-	200,000
Eastern Regional Health Authority		
Janeway Children's Health and Rehabilitation Centre	876,164	388,526
Janeway Research	138,954	-
	<u>1,015,118</u>	<u>388,526</u>
Other health care		
Central Northwest Health Foundation	1,238	-
Health Labrador Corporation	50,033	-
Discovery Health Care Foundation	4,899	-
Research Grants	5,750	-
Trinity Conception Placentia	10,531	35,050
South and Central Health Foundation	-	30,000
Burin Peninsula Health Care Foundation	-	21,600
Western Health Care Corporation	-	21,769
Grenfell Foundation	-	19,440
Captain William Jackman Memorial	-	11,930
Central East Health Care	-	9,579
Dr. Heather Jackman	-	5,000
	<u>72,451</u>	<u>154,368</u>
Other		
Memorial University	50,000	100,000
Maple Leaf Garden	302,774	32,430
Rainbow Riders program	7,500	5,000
Asthma program	6,001	2,367
Haemophilia program	39,434	39,264
Child Abuse	3,698	650
	<u>409,407</u>	<u>179,711</u>
	<u>1,496,976</u>	<u>922,605</u>

JANEWAY CHILDREN'S HOSPITAL FOUNDATION
Notes to Financial Statements
 March 31, 2006

6. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash operating working capital

	<u>2006</u>	<u>2005</u>
	\$	\$
Receivables	(12,606)	7,836
Prepaid expenses	(48,003)	30,169
Payables and accruals	40,679	(17,677)
Due to other funds	570,472	(168,996)
Deferred contributions	(262,926)	41,519
	<u>287,616</u>	<u>(107,149)</u>

7. INCOME TAX STATUS

As a registered charity, the Foundation is exempt from income tax and may issue charitable donation receipts.

8. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist the Janeway Children's Health and Rehabilitation Centre (Eastern Regional Health Authority) with the purchase of medical equipment used in the provision of patient care for children. Transactions between these related parties are measured at their exchange value.

9. COMMITMENTS

During the year the Foundation committed to disburse \$2,006,305 (2005 - \$839,280) to the Eastern Regional Health Authority to benefit the Janeway Children's Health and Rehabilitation Centre. During the year \$1,015,118 (2005 - \$388,526) of committed funds were disbursed. The outstanding commitments from the current and prior years of approximately \$2,141,703 relating to capital equipment and research will be disbursed in future fiscal years of the Foundation.

In 2003, \$200,000 was committed to other hospitals in Newfoundland and Labrador for the purchase of paediatric equipment. These grants were made to recognize the Foundation's 20th Anniversary.

10. FINANCIAL INSTRUMENTS

The carrying value of the Foundation's financial instruments approximates fair value due to the relatively short term to maturity of these instruments.

JANEWAY CHILDREN'S HOSPITAL FOUNDATION
Schedule of Miracle Network Telethon Expenses
Year ended March 31

	<u>2006</u>	<u>2005</u>
	\$	\$
Advertising	8,741	8,951
Affiliation fees	22,139	22,498
Broadcasting costs	109,707	92,981
Donor recognition	475	3,154
General administration	14,496	14,490
Merchandise	39,008	93,655
Office and supplies	2,132	2,647
Postage	14,991	28,108
Printing	15,561	16,157
Professional fees	275	11,051
Salaries and benefits	166,564	191,316
Telephone	(529)	295
Travel and conferences	5,519	11,720
	<hr/>	<hr/>
	399,079	497,023

JANEWAY CHILDREN'S HOSPITAL FOUNDATION
Schedule of Christmas Appeal Expenses

Year ended March 31

	<u>2006</u>	<u>2005</u>
	\$	\$
Advertising	-	521
Contractual services	8,783	7,652
Office and miscellaneous	-	275
Postage	12,560	9,056
Printing	5,568	5,239
Promotional costs	-	2,575
Salaries and benefits	19,838	11,950
	<hr/>	<hr/>
	46,749	37,268

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

AUDITORS' REPORT

FINANCIAL STATEMENTS - MARCH 31, 2006

AUDITORS' REPORT

To the Trustees of **Labrador - Grenfell Regional Health Authority**

We have audited the consolidated balance sheet of **Labrador - Grenfell Regional Health Authority** as at March 31, 2006 and the consolidated statements of changes in net assets, operations and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2006 and the results of its operations and the changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Happy Valley-Goose Bay, NL

October 12, 2006

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Consolidated

Balance Sheet

March 31, 2006

2006

2005

Assets

Current assets:

Cash	\$ 2,092,388	2,488,447
Restricted cash (Note 3)	1,284,552	1,809,681
Receivables, less doubtful of \$967,645 (2005 - \$1,028,402)	5,681,574	5,004,044
Inventories	1,616,357	1,541,259
Prepaid expenses	<u>1,316,526</u>	<u>1,595,826</u>

Total current assets 11,991,397 12,439,257

Residents' Trust Funds held on deposit	189,838	165,711
Replacement reserve funding (Note 7)	74,945	73,909
Cash restricted for endowment purposes	215,917	215,917
Property, plant and equipment (Note 4)	<u>19,837,044</u>	<u>20,390,104</u>

\$ 32,309,141 33,284,898

Liabilities

Current liabilities:

Bank indebtedness (Note 5)	\$ 15,608,284	14,857,049
Payables and accruals	7,393,264	6,307,053
Accrued vacation pay	4,571,041	4,477,758
Other accrued benefits	1,629,339	998,758
Deferred contributions - operating	2,393,539	2,058,523
- National Child Benefit (NCB) initiatives	782,128	488,550
- Capital	3,631,006	3,206,702
- Special purpose funds	732,084	912,019
Current portion of accrued severance pay - estimated	540,349	487,025
Current portion of long-term debt (Note 6)	<u>84,767</u>	<u>80,218</u>

Total current liabilities 37,365,801 33,873,655

Residents' Trust Funds payable	189,838	165,711
Accrued severance pay, less estimated current portion of \$540,349 (2005 - \$487,025)	7,626,225	7,417,746
Long-term debt (Note 6)	2,786,039	2,871,861
Replacement reserve (Note 7)	74,945	73,909
Deferred contributions related to property, plant and equipment (Note 8)	<u>15,522,961</u>	<u>15,941,379</u>

63,565,809 60,344,261

Net assets, per accompanying statement:

Net assets invested in property, plant and equipment	1,443,280	1,496,648
Net assets restricted for endowment purposes	215,917	215,917
Unrestricted net assets (deficit)	<u>(32,915,865)</u>	<u>(28,771,928)</u>

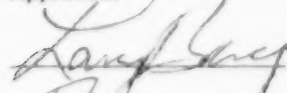

(31,256,668) (27,059,363)

Contingencies (Note 13)

\$ 32,309,141 33,284,898

See accompanying notes

Approved:

 Trustee
 Trustee

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Consolidated

Statement of Changes in Net Assets

Year ended March 31, 2006

	2006			2005
	Invested in Property, Plant and Equipment	Restricted for Endowment Purposes	Unrestricted Operating	Total
Balance, beginning	\$ 1,496,648	215,917	(28,771,928)	(27,059,363)
Excess (deficiency) of revenue over expenditure	(265,976)	-	(3,931,329)	(4,197,305)
Investment in property, plant and equipment (Note 9)	212,608	-	(212,608)	-
Endowment contributions	-	-	-	2,450
Transfer to Grenfell Foundation Incorporated	-	-	-	(729,671)
Transfer to deferred grants - operating fund	-	-	-	(18,625)
Balance, ending	<u>\$ 1,443,280</u>	<u>215,917</u>	<u>(32,915,865)</u>	<u>(31,256,668)</u>

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Consolidated

Statement of Operations

Year ended March 31, 2006

2006

2005

Revenue:

Provincial plan	\$ 80,476,924	74,078,955
National Child Benefit	1,110,625	1,108,775
MCP physicians	11,315,704	12,491,114
Child Youth and Family Services Agreement	5,977,452	5,358,579
Inpatient	2,451,830	1,788,723
Outpatient	1,004,343	810,004
Long-term care	1,293,885	1,302,058
Other revenue (Note 10)	4,791,020	4,717,527
Authority	<u>781,208</u>	<u>750,513</u>
	<u>109,202,991</u>	<u>102,406,248</u>

Expenditure:

Administration	12,408,710	9,774,898
Support services	16,668,446	15,249,544
Nursing inpatient services	18,311,363	17,009,384
Ambulatory care services	13,026,151	11,945,506
Diagnostic and therapeutic services	10,798,852	8,936,539
Community and social services	25,427,234	23,566,647
Medical services	13,163,353	13,505,409
Research	67,938	60,107
Education	925,181	1,050,115
Undistributed	884,000	888,439
Authority	<u>1,341,591</u>	<u>1,055,364</u>
	<u>113,022,819</u>	<u>103,041,952</u>

Surplus (deficit) prior to other operations (3,819,828) (635,704)

Air ambulance services - net (Note 11) 166,463 190,409

Surplus (deficit) before non-shareable items (3,653,365) (445,295)

Non-shareable items:

Amortization	2,419,265	2,464,942
Accrued vacation pay - increase (decrease)	93,284	86,527
Accrued severance pay - increase (decrease)	261,803	(195,140)
Amortization of deferred contributions	<u>(2,230,412)</u>	<u>(2,271,817)</u>
	<u>543,940</u>	<u>84,512</u>

Excess (deficiency) of revenue over expenditure \$(4,197,305) (529,807)

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Consolidated

Statement of Cash Flow

Year ended March 31, 2006

2006

2005

Cash flows:

Operations:

Excess (deficiency) of revenue over expenditure	\$ (4,197,305)	(529,807)
Amortization	2,574,347	2,621,555
Amortization of deferred contributions	(2,308,371)	(2,353,563)
	(3,931,329)	(261,815)

Changes in:

Receivables	(677,530)	(802,761)
Inventories	(75,100)	(100,227)
Prepaid expenses	279,300	(439,568)
Payables and accruals	1,716,792	(1,344,339)
Accrued vacation pay	93,283	86,528
Deferred contributions relating to operating fund and NCB initiatives	628,595	1,146,883
Accrued severance pay	261,803	(195,140)
	(1,704,186)	(1,910,439)

Investing:

Additions to property, plant and equipment	(2,021,286)	(966,254)
--	---------------------	------------

Financing:

Deferred contributions - capital	424,304	8,197
- special purpose funds	(179,935)	(11,954)
Repayment of long-term debt	(81,273)	(76,970)
Deferred contributions related to property, plant and equipment	1,889,953	861,912
Contributions to endowment fund	-	2,450
Transfer to Grenfell Foundation Inc.	-	(729,671)
Transfer to operating fund	-	(18,625)
	2,053,049	35,339

Net increase (decrease) in cash and cash equivalents	(1,672,423)	(2,841,354)
--	---------------------	--------------

Cash and cash equivalents:

Beginning	(10,558,921)	(7,717,567)
-----------	---------------------	--------------

Ending	<u>\$ (12,231,344)</u>	<u>(10,558,921)</u>
--------	-------------------------------	---------------------

Represented by:

Cash	\$ 2,092,388	2,488,447
Restricted cash	1,284,552	1,809,681
Bank indebtedness	(15,608,284)	(14,857,049)
	<u>\$ (12,231,344)</u>	<u>(10,558,921)</u>

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Operating Fund

Balance Sheet

March 31, 2006

2006

2005

Assets

Current assets:

Cash	\$ 2,048,355	2,449,150
Restricted cash (Note 3)	760,656	1,294,549
Receivables, less doubtful of \$ 967,645 (2005 - \$1,028,402)	5,679,471	5,004,044
Inventories	1,616,357	1,541,259
Prepaid expenses	1,255,682	1,534,685

Total current assets 11,360,521 11,823,687

Residents' Trust Funds held on deposit 189,838 165,711
Property, plant and equipment (Note 4) 16,541,927 16,939,904

\$ 28,092,286 28,929,302

Liabilities

Current liabilities:

Bank indebtedness (Note 5)	\$ 15,608,284	14,857,049
Payables and accruals	7,372,881	6,278,967
Accrued vacation pay	4,571,041	4,477,758
Due to the Authority Fund	1,346,111	1,912,075
Other accrued liabilities	1,629,339	998,758
Deferred contributions - operating	2,150,767	1,814,820
- National Child Benefit (NCB) initiatives	782,128	488,550
- capital	3,349,882	2,935,273
- special purpose funds	732,084	912,019
Current portion of accrued severance pay - estimated	540,349	487,025
Current portion of long-term debt (Note 6)	13,927	12,718

Total current liabilities 38,096,793 35,175,012

Residents' Trust Funds payable 189,838 165,711
Accrued severance pay, less estimated current portion of
\$ 540,349 (2005 - \$ 487,025) 7,626,225 7,417,746

Long-term debt (Note 6) 1,227,289 1,241,311
Deferred contributions related to property, plant and equipment (Note 8) 14,047,709 14,388,168

61,187,854 58,387,948

Net assets, per accompanying statement

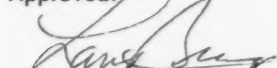

Net assets invested in property, plant and equipment 1,253,001 1,297,707
Unrestricted net assets (34,348,569) (30,756,353)

(33,095,568) (29,458,646)

\$ 28,092,286 28,929,302

See accompanying notes

Approved:

 Trustee
 Trustee

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Operating Fund

Statement of Changes in Net Assets

Year ended March 31, 2006

	<u>2006</u>			<u>2005</u>
	<u>Invested in Property, Plant and Equipment</u>	<u>Unrestricted Operating</u>	<u>Total</u>	<u>Total</u>
Balance, beginning	\$ 1,297,707	(30,756,353)	(29,458,646)	(29,233,690)
Excess (deficiency) of revenue over expenditure	(188,853)	(3,448,069)	(3,636,922)	(224,956)
Investment in property, plant and equipment (Note 9)	<u>144,147</u>	<u>(144,147)</u>	<u>-</u>	<u>-</u>
Balance, ending	<u>\$ 1,253,001</u>	<u>(34,348,569)</u>	<u>(33,095,568)</u>	<u>(29,458,646)</u>

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Operating Fund

Statement of Operations

Year ended March 31, 2006

2006

2005

Revenue:

Provincial plan	\$ 80,476,924	74,078,955
National Child Benefit	1,110,625	1,108,775
MCP physicians	11,315,704	12,491,114
Child Youth and Family Services Agreement	5,977,452	5,358,579
Inpatient	2,451,830	1,788,723
Outpatient	1,004,343	810,004
Long-term care	1,293,885	1,302,058
Other (Note 10)	<u>4,791,020</u>	<u>4,717,527</u>
	<u>108,421,783</u>	<u>101,655,735</u>

Expenditure:

Administration	12,408,710	9,774,898
Support services	16,668,446	15,249,544
Nursing inpatient services	18,311,363	17,009,384
Ambulatory care services	13,026,151	11,945,506
Diagnostic and therapeutic services	10,798,852	8,936,539
Community and social services	25,427,234	23,566,647
Medical services	13,163,353	13,505,409
Research	67,938	60,107
Education	925,181	1,050,115
Undistributed	<u>884,000</u>	<u>888,439</u>
	<u>111,681,228</u>	<u>101,986,588</u>

Surplus (deficit) prior to other operations (3,259,445) (330,853)

Air ambulance services - net (Note 11) 166,463 190,409

Surplus (deficit) before non-shareable items (3,092,982) (140,444)

Non-shareable items:

Amortization	2,419,265	2,464,942
Accrued vacation pay - increase (decrease)	93,284	86,527
Accrued severance pay - increase (decrease)	261,803	(195,140)
Amortization of deferred contributions	<u>(2,230,412)</u>	<u>(2,271,817)</u>
	<u>543,940</u>	<u>84,512</u>

Excess (deficiency) of revenue over expenditure \$(3,636,922) (224,956)

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Operating Fund

Statement of Cash Flow

Year ended March 31, 2006

2006

2005

Cash flows:

Operations:

Excess (deficiency) of revenue over expenditure	<u>\$ (3,636,922)</u>	(224,956)
Amortization	<u>2,419,265</u>	2,464,942
Amortization of deferred contributions	<u>(2,230,412)</u>	(2,271,817)
	<u>(3,448,069)</u>	(31,831)

Changes in:

Receivables	(675,427)	(848,771)
Due from Authority Fund	(565,964)	(954,055)
Inventories	(75,098)	(100,227)
Prepaid expenses	279,000	(438,474)
Payables and accruals	1,724,495	(1,351,345)
Accrued vacation pay	93,283	86,528
Deferred contributions relating to operating and NCB program	629,526	1,182,829
Accrued severance pay	261,803	(195,140)
	<u>(1,776,451)</u>	(2,650,486)

Investing:

Additions to property, plant and equipment	<u>(2,021,286)</u>	(966,254)
--	---------------------	------------

Financing:

Deferred contributions - capital	414,609	9,417
- special purpose funds	(179,935)	(11,954)
Repayment of long-term debt	(12,813)	(11,536)
Deferred contributions related to property, plant and equipment	<u>1,889,953</u>	<u>861,912</u>
	<u>2,111,814</u>	<u>847,839</u>

Net increase (decrease) in cash and cash equivalents	(1,685,923)	(2,768,901)
--	--------------	--------------

Cash and cash equivalents:

Beginning	<u>(11,113,350)</u>	(8,344,449)
-----------	---------------------	--------------

Ending	<u><u>\$ (12,799,273)</u></u>	<u>(11,113,350)</u>
--------	-------------------------------	---------------------

Represented by:

Cash	\$ 2,048,355	2,623,706
Restricted cash (Note 3)	760,656	1,119,993
Bank indebtedness (Note 5)	<u>(15,608,284)</u>	<u>(14,857,049)</u>
	<u><u>\$ (12,799,273)</u></u>	<u>(11,113,350)</u>

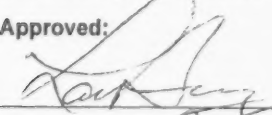
See accompanying notes


LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY**Authority Fund****Balance Sheet****March 31, 2006**

	2006	2005
Assets		
Current assets:		
Cash	\$ 44,033	39,297
Restricted cash (Note 3)	523,896	515,132
Accounts receivable	2,103	-
Due from operating fund	1,346,111	1,912,075
Prepays	60,844	61,141
Total current assets	1,976,987	2,527,645
Replacement reserve funding (Note 7)	74,945	73,909
Cash restricted for endowment purposes	215,917	215,917
Property, plant and equipment (Note 4)	3,295,117	3,450,200
	<u>\$ 5,562,966</u>	<u>6,267,671</u>
Liabilities		
Current liabilities:		
Payables and accruals	\$ 14,021	14,136
Due to Newfoundland and Labrador Housing Corporation	6,362	13,950
Deferred contributions - operating	242,772	243,703
- capital	281,124	271,429
Current portion of long-term debt (Note 6)	70,840	67,500
Total current liabilities	615,119	610,718
Long-term debt (Note 6)	1,558,750	1,630,550
Replacement reserve (Note 7)	74,945	73,909
Deferred contributions related to property, plant and equipment (Note 8)	1,475,252	1,553,211
	<u>3,724,066</u>	<u>3,868,388</u>
Net assets, per accompanying statement		
Net assets invested in property, plant and equipment	190,279	198,941
Net assets restricted for endowment purposes	215,917	215,917
Unrestricted net assets	1,432,704	1,984,425
	<u>1,838,900</u>	<u>2,399,283</u>
	<u>\$ 5,562,966</u>	<u>6,267,671</u>

See accompanying notes

Approved:


Trustee


Trustee

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Authority Fund

Statement of Changes in Net Assets

Year ended March 31, 2006

	2006				2005
	Invested in Property, Plant and Equipment	Restricted for Endowment Purposes	Unrestricted Operating	Total	Total
Balance, beginning	\$ 198,941	215,917	1,984,425	2,399,283	3,449,980
Excess (deficiency) of revenue over expenditure	(77,123)	-	(483,260)	(560,383)	(304,851)
Investment in property, plant and equipment (Note 9)	68,461	-	(68,461)	-	-
Endowment contributions	-	-	-	-	2,450
Transfer to Grenfell Foundation Incorporated	-	-	-	-	(729,671)
Transfer to deferred grants - operating fund	-	-	-	-	(18,625)
Balance, ending	<u>\$ 190,279</u>	<u>215,917</u>	<u>1,432,704</u>	<u>1,838,900</u>	<u>2,399,283</u>

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Authority Fund

Statement of Operations

Year ended March 31, 2006

2006

2005

Revenue:		
Real estate rentals	\$ 385,200	418,582
Interest	130,022	74,040
Contributions and other	<u>1,310</u>	<u>3,089</u>
	516,532	495,711
St. Anthony Interfaith Homes:		
12 unit apartment complex	114,526	110,008
20 unit apartment complex	<u>150,150</u>	<u>144,794</u>
	<u>781,208</u>	<u>750,513</u>
Expenditure:		
Real estate	567,286	443,574
Amortization of real estate	86,621	91,180
Amortization of deferred contributions	(77,959)	(81,746)
Interest	481,762	313,994
Retirement and awards	1,892	3,488
Other	<u>2,264</u>	<u>1,790</u>
	1,061,866	772,280
St. Anthony Interfaith Homes:		
12 unit apartment complex, including amortization of \$21,620 (2005- \$20,528)	114,526	110,008
20 unit apartment complex, including amortization of \$46,841 (2005 - \$44,905)	<u>165,199</u>	<u>173,076</u>
	<u>1,341,591</u>	<u>1,055,364</u>
Excess (deficiency) of revenue over expenditure	<u>\$ (560,383)</u>	<u>(304,851)</u>

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Authority Fund

Statement of Cash Flow

Year ended March 31, 2006

2006

2005

Cash flows:

Operations:

Excess (deficiency) of revenue over expenditure	\$(560,383)	(304,851)
Amortization	155,082	156,613
Amortization of deferred contributions	(77,959)	(81,746)
	(483,260)	(229,984)

Changes in:

Receivables	(2,103)	46,010
Due from operating fund	565,962	954,055
Prepaid expenses	300	(1,094)
Payables and accruals	(115)	(786)
Due to Newfoundland and Labrador Housing Corporation	(7,588)	7,792
Deferred contributions - operating	(931)	(35,946)
	72,265	740,047

Financing:

Deferred contributions - capital	9,695	(1,220)
Repayment of long-term debt	(68,460)	(65,434)
Contributions to endowment fund	-	2,450
Transfer to Grenfell Foundation Inc.	-	(729,671)
Transfer to operating fund	-	(18,625)
	(58,765)	(812,500)

Net increase (decrease) in cash and cash equivalents **13,500** **(72,453)**

Cash and cash equivalents:

Beginning	554,429	626,882
Ending	\$ 567,929	554,429

Represented by:

Cash	\$ 44,033	39,297
Restricted cash	523,896	515,132
	\$ 567,929	554,429

See accompanying notes

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

1. Nature of operations:

Effective April 1, 2005 the Government of Newfoundland and Labrador created the Labrador-Grenfell Regional Health Authority which assumed the assets, liabilities, net assets and operations of the following entities:

Health Labrador Corporation
Grenfell Regional Health Services Board

The Authority manages and operates all health facilities, services and programs in Northern Newfoundland and all of Labrador.

The Authority manages and controls the operations of the following facilities:

Labrador Health Centre, Happy Valley-Goose Bay
Harry L. Paddon Memorial Home, Happy Valley-Goose Bay
Captain William Jackman Memorial Hospital, Labrador City
Charles S. Curtis Memorial Hospital, St. Anthony
John M. Gray Centre, St. Anthony
St. Anthony Interfaith Home Apartment Complexes, St. Anthony

and all medical clinics, nursing stations, community health centres, facilities, programs and services in the geographic area.

The operations of the Authority are primarily funded by the Government of Newfoundland and Labrador (the Government).

The Authority is incorporated under the Hospitals Act of Newfoundland and Labrador.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant by the Authority.

Fund accounting:

The combined funds are reported in the consolidated financial statements.

Assets, liabilities, revenue and expenditure related to the delivery and administration of health services are reported in the Operating Fund.

Assets, liabilities, revenue and expenditure related to Authority activities are reported in the Authority Fund.

(Continued ...)

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

2. Significant accounting policies (continued):

Revenue recognition:

The Authority follows the deferral method of accounting of contributions.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue, when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions related to property, plant and equipment are deferred and amortized to revenue at the same rates which the related property, plant and equipment are amortized.

Inventories:

Inventories consist of medical, surgical, general supplies, fuel oil, aircraft parts, and pharmaceuticals.

Medical, surgical and general supplies are valued at the lower of cost, determined on an average cost basis, and net realizable value.

Fuel oil, aircraft parts and drugs are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Property, plant and equipment

The Authority has control over certain land, buildings and equipment, with the title resting with the Government and consequently these assets are not recorded under property, plant and equipment.

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution.

Property, plant and equipment are being amortized on a declining balance basis over their estimated useful lives at the following rates:

Land improvements	20%	
Buildings	5%	
Leasehold improvements		5%
Equipment and vehicles	20%	
Artwork	0%	

In addition, the Harry L. Paddon Memorial Home and St. Anthony Interfaith Home Apartment Complexes buildings and equipment are amortized at a rate equal to the annual principal reduction of the mortgage related to these properties. This is in accordance with an operating agreement with Newfoundland and Labrador Housing Corporation.

(Continued...)

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

2. Significant accounting policies (continued):

Replacement reserve:

Newfoundland and Labrador Housing Corporation (NLHC) requires that not-for-profit housing groups maintain a Replacement Reserve Fund which is to be used to fund major maintenance and the purchase of property, plant and equipment. These funds may be used as approved by NLHC. Withdrawals are charged to interest first and then principal.

Transactions in the reserve are shown in Note 7.

Severance pay:

The liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of continual service.

Pension and other post employment benefits:

Employees of the Authority are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government. The Government also provides for the continuation of certain dental and medical benefits for retirees. Contributions to the plans are required from both the employees and the Authority. The annual contributions for pensions and other post employment benefits are recognized in the accounts on a current basis.

Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Restricted cash:

Cash is currently restricted to fund the following items:

		2006		2005
	Operating Fund	Authority Fund	Total	Total
Deferred contributions - operating	\$ -	242,772	242,772	243,703
- capital	-	281,124	281,124	271,429
- special purpose funds	732,084	-	732,084	912,019
Shushepishpan Group Home	28,572	-	28,572	382,530
	<u>\$ 760,656</u>	<u>523,896</u>	<u>1,284,552</u>	<u>1,809,681</u>

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

4. Property, plant and equipment:

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Operating fund:				
Land	\$ 11,201	-	11,201	11,201
Land improvements	162,208	144,687	17,521	21,901
Buildings	17,665,157	9,709,600	7,955,557	8,214,657
Leasehold improvements	223,678	57,246	166,432	175,191
Equipment and vehicles	36,926,159	28,730,657	8,195,502	8,321,240
Artwork	195,714	-	195,714	195,714
	<u>55,184,117</u>	<u>38,642,190</u>	<u>16,541,927</u>	<u>16,939,904</u>
Authority fund:				
Land	\$ 2	-	2	2
Land improvements	24,853	-	24,853	24,853
Buildings	6,803,593	3,547,936	3,255,657	3,410,375
Equipment	17,754	3,149	14,605	14,970
	<u>6,846,202</u>	<u>3,551,085</u>	<u>3,295,117</u>	<u>3,450,200</u>
	<u>\$ 62,030,319</u>	<u>42,193,275</u>	<u>19,837,044</u>	<u>20,390,104</u>

5. Bank indebtedness:

	2006	2005
Due to bank on current accounts	\$ 657,747	(57,625)
Bank demand loans	<u>14,950,537</u>	<u>14,914,674</u>
	<u>\$ 15,608,284</u>	<u>14,857,049</u>

The Authority has access to a \$17 million line of credit in the form of a \$14 million revolving demand loan bearing interest at prime with the Royal Bank of Canada and a \$3 million operating line of credit with the Bank of Montreal. The line of credit has been approved by the Minister of Health and Community Services. In addition, this line of credit carries a Province of Newfoundland and Labrador guarantee for \$9 million up to \$17 million with the first \$8 million being unsecured.

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

6. Long-term debt:

	<u>2006</u>	<u>2005</u>
Operating fund:		
10%, Canada Mortgage and Housing Corporation first mortgage on land and building of Harry L. Paddon Memorial Home; repayable \$11,245 monthly, interest included; maturing November, 2029	\$ 1,241,216	1,254,029
Less current portion	<u>13,927</u>	<u>12,718</u>
	<u>1,227,289</u>	<u>1,241,311</u>
Authority fund:		
4.47% Newfoundland and Labrador Housing Corporation first mortgage on land and building of 20 unit apartment complex; repayable \$7,051 monthly, interest included; maturing January, 2019	826,898	873,739
5.79% Newfoundland and Labrador Housing Corporation first mortgage on land and building of 12 unit apartment complex; repayable \$5,686 monthly, interest included; maturing October, 2025	<u>802,692</u>	<u>824,311</u>
	<u>1,629,590</u>	<u>1,698,050</u>
Less current portion	<u>70,840</u>	<u>67,500</u>
	<u>1,558,750</u>	<u>1,630,550</u>
Consolidated total	<u>\$ 2,786,039</u>	<u>2,871,861</u>

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

	<u>Operating Fund</u>	<u>Authority Fund</u>
2007	\$ 13,927	70,840
2008	15,459	74,360
2009	17,043	78,060
2010	18,790	81,950
2011	20,570	86,000

Interest subsidy:

The Authority has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act. The purpose of the assistance is to reduce operating costs in order to enable the Authority to provide housing to low and moderate income individuals. The amount of assistance received in 2005/06 was \$25,205 (2004/05 - \$25,205) for the Operating Fund and \$80,123 (2004/05 - \$75,775) for the Authority Fund.

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

7. Replacement reserve:

	<u>2006</u>	<u>2005</u>
Balance, beginning	\$ 73,909	131,818
Add:		
Allocation for year	10,350	10,350
Interest earned	<u>165</u>	<u>669</u>
	84,424	142,837
Less:		
Approved expenditures	<u>9,479</u>	<u>68,928</u>
Balance, ending	<u>\$ 74,945</u>	<u>73,909</u>
Funding:		
Replacement reserve funds	\$ 7,146	4,007
Due from Newfoundland and Labrador Housing Corporation for replacement reserve	<u>67,799</u>	<u>69,902</u>
	<u>\$ 74,945</u>	<u>73,909</u>

8. Unamortized deferred contributions related to property, plant and equipment:

Deferred contributions related to property, plant and equipment represent restricted contributions with which property, plant and equipment were originally purchased. The changes in the deferred contributions for the year are as follows:

	<u>2006</u>	<u>2005</u>
Operating fund:		
Balance, beginning	\$ 14,388,168	15,798,073
Add:		
Equipment grants	993,450	666,023
Donations for equipment	<u>896,503</u>	<u>195,889</u>
	16,278,121	16,659,985
Less amortization	<u>2,230,412</u>	<u>2,271,817</u>
	14,047,709	14,388,168
Authority fund:		
Balance, beginning	1,553,211	1,634,957
Less amortization	<u>77,959</u>	<u>81,746</u>
	<u>1,475,252</u>	<u>1,553,211</u>
Consolidated total	<u>\$ 15,522,961</u>	<u>15,941,379</u>

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

9. Investment in property, plant and equipment:

	<u>2006</u>	<u>2005</u>
Operating fund:		
Repayment of long-term debt	\$ 12,813	11,536
Purchase of property, plant and equipment with unrestricted resources	<u>131,334</u>	<u>104,342</u>
	<u>144,147</u>	<u>115,878</u>
Authority fund:		
Repayment of long-term debt	<u>68,461</u>	<u>65,433</u>
	<u>\$ 212,608</u>	<u>181,311</u>

10. Other revenue:

	<u>2006</u>	<u>2005</u>
Drug recoveries	\$ 2,697,556	2,480,892
Dental	653,076	724,445
Rentals	231,147	255,170
Mortgage interest subsidy (Note 6)	25,205	25,205
Miscellaneous	<u>1,184,036</u>	<u>1,231,815</u>
	<u>\$ 4,791,020</u>	<u>4,717,527</u>

11. Air ambulance services - net:

	<u>2006</u>	<u>2005</u>
Revenue:		
Government operating grants	\$ 800,000	800,000
Government WST	2,867,600	3,617,600
Government air services	1,156,271	389,997
Other	<u>590,899</u>	<u>446,799</u>
	<u>5,414,770</u>	<u>5,254,396</u>
Expenditure:		
Salaries and benefits	1,075,232	1,089,836
Patient transportation - contract	1,555,859	1,625,181
- King Air charter	706,148	503,382
- other	719,040	624,990
Other	<u>1,192,028</u>	<u>1,220,598</u>
	<u>5,248,307</u>	<u>5,063,987</u>
	<u>\$ 166,463</u>	<u>190,409</u>

LABRADOR - GRENFELL REGIONAL HEALTH AUTHORITY

Notes to the Financial Statements

March 31, 2006

12. Commitments:

Operating leases:

The Authority, in the course of its operations, has entered into agreements for the rental of various health care delivery facilities, living accommodations, and for the lease of certain medical and office equipment. Most arrangements are provided on a year to year basis. Estimated annual lease obligations required in each of the next three fiscal years, for those arrangements extending beyond one year, are as follows:

2007	\$ 705,514
2008	690,114
2009	510,538

Energy performance contract:

The Authority entered into an Energy Performance Contract on February 15, 2000 with Johnson Controls Ltd. for the design and implementation of measures to improve energy efficiency, wherein Johnson Controls Ltd. guaranteed the energy savings component.

The cost of the contract was \$1,660,616 and is to be repaid from energy and operating savings at \$15,250 per month over a period of 8.2 years plus lump sum amounts aggregating an additional \$116,116.

As of March 31, 2006 the balance of the expenditures financed through the Bank of Nova Scotia amount to \$548,992 (2005 - \$698,121). As support for the financing, Johnson Controls Ltd. has assigned to the bank any funds due to them by the authority for the energy savings component of the contract.

In the opinion of management of the Authority the guaranteed energy savings component by Johnson Controls Ltd. is an offset to any obligation of the authority under the assignment to the bank, and as a consequence neither the capital expenditures nor the bank loan obligation is reflected in the financial statements of the Authority at March 31, 2006.

Funding for the contract is from operating savings and has been approved in this manner by the Province of Newfoundland and Labrador. As a result, the monthly payments under the contract are being reported in the Authority's operating statements as a normal operating cost.

13. Contingencies:

As of March 31, 2006, there were a number of legal claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

14. Comparative figures:

Certain of the comparative figures have been reclassified to conform to the current presentation.

LABRADOR SCHOOL BOARD

**AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2005

WALTER P. MILLER & COMPANY

Chartered Accountants



**WALTER P. MILLER
& CO.** CHARTERED ACCOUNTANTS

P.O. Box 8505
108 LeMarchant Road
St. John's, NL A1B 3N9
Telephone: 709-579-2161
Facsimile: 709-736-2361
www.walterpmiller.com

Partners

Stephen Belanger, B.Comm., F.C.A.
Boyd Clarke, B.Comm., C.A.
Peter Miller, B.Comm., C.A.

Principal

Raymond White, C.G.A.

Associates

Gordon D. Cook, F.C.G.A.
Russell E. Pelley, F.C.A.

AUDITORS' REPORT

To the Directors of the **Labrador School Board**

We have audited the balance sheet of the current and capital funds of the **Labrador School Board** as at June 30, 2005, and the statements of current revenues, expenditures and Board deficit, changes in financial position and changes in capital fund for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Labrador School Board as at June 30, 2005, and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

Walter P. Miller & Company
CHARTERED ACCOUNTANTS

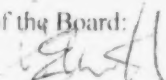
St. John's, Newfoundland and Labrador
July 30, 2005

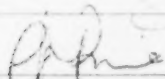
LABRADOR SCHOOL BOARD
BALANCE SHEET
AS AT JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current		
Cash (Schedule 9)	\$ 440,924	\$ 15,690
Accounts receivable (Note 2)	5,225,098	5,627,086
Prepaid expenses (Schedule 9)	<u>159,152</u>	<u>81,743</u>
Total current assets	<u>5,825,174</u>	<u>5,724,519</u>
Property and equipment (Schedule 7)	<u>42,545,682</u>	<u>42,545,682</u>
Total assets	<u>\$ 48,370,856</u>	<u>\$ 48,270,201</u>

<u>LIABILITIES</u>		
Current		
Bank indebtedness (Schedule 9)	\$ -	\$ -
Accounts payable and accrued liabilities (Note 4)	11,028,163	10,871,270
Current maturities (Schedules 8 and 8B)	<u>204,146</u>	<u>204,147</u>
Total current liabilities	<u>11,232,309</u>	<u>11,075,417</u>
Long-term debt (Schedules 8 and 8A)	<u>1,326,558</u>	<u>1,655,704</u>
Total liabilities	<u>12,558,867</u>	<u>12,731,121</u>

<u>BOARD EQUITY</u>		
Investment in capital assets (Note 5)	42,178,570	42,023,720
Restricted fund - Labrador West School Committee (Note 9)	238,983	261,522
Appropriated surplus (Note 10)	-	70,000
Board deficit (Note 11)	<u>(6,605,564)</u>	<u>(6,816,162)</u>
	<u>35,811,989</u>	<u>35,539,080</u>
	<u>\$ 48,370,856</u>	<u>\$ 48,270,201</u>

Signed on behalf of the Board:  _____, Director

 _____, Director

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CURRENT REVENUES, EXPENDITURES AND BOARD DEFICIT
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
Current revenues (Schedule 1)		
Provincial Government grant	\$ 34,960,074	\$ 34,978,671
Ancillary services	180,119	168,050
Miscellaneous	<u>3,333,985</u>	<u>4,458,512</u>
	<u>38,474,178</u>	<u>39,605,233</u>
Current expenditures		
Administration (Schedule 2)	1,388,491	1,564,851
Instruction (Schedule 3)	30,986,507	31,663,997
Operations and maintenance (Schedule 4)	3,782,341	3,873,000
Pupil transportation (Schedule 5)	1,961,251	1,917,027
Ancillary services and miscellaneous (Schedule 6)	119,690	127,311
Interest (Schedule 8C)	<u>4,942</u>	<u>10,382</u>
	<u>38,243,222</u>	<u>39,156,568</u>
Excess of revenue over expenditure for year before transfer to Capital		
Fund appropriation of funds and severance pay adjustments	230,956	448,665
Transfer to Capital Fund	(154,850)	(116,107)
Allocation to appropriated surplus (Note 10)	<u>-</u>	<u>(70,000)</u>
Excess of revenue over expenditure for year before severance pay adjustments	76,106	262,558
Severance pay adjustments		
Non-teaching	(61,395)	(143,246)
Teaching	<u>124,981</u>	<u>(245,496)</u>
Excess (deficiency) of revenue over expenditure for year	<u>139,692</u>	<u>(126,184)</u>
Board deficit, beginning		
As previously reported	6,816,162	6,957,243
Deficit adjustments (Note 8)	<u>(70,906)</u>	<u>(267,265)</u>
	<u>6,745,256</u>	<u>6,689,978</u>
Board deficit, ending	\$ <u>6,605,564</u>	\$ <u>6,816,162</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
Operating Activities		
Excess (deficiency) of revenue over expenditure for year	\$ 139,692	\$ (126,184)
Changes in non-cash working capital balances:		
Accounts receivable	401,988	150,093
Prepaid expenses	(77,409)	(59,961)
Accounts payable and accrued liabilities	156,893	337,456
Deficit adjustments	<u>70,906</u>	<u>267,265</u>
	<u>692,070</u>	<u>568,669</u>
Financing Activities		
Proceeds from bank loans	-	244,211
Repayment of long-term debt principal	<u>(329,147)</u>	<u>(285,269)</u>
	<u>(329,147)</u>	<u>(41,058)</u>
Investing Activities		
Additions to property and equipment	-	(71,140)
Increase in restricted fund	(22,539)	91,948
Increase in appropriated fund	(70,000)	70,000
Increase in Investment in Capital Assets	<u>154,850</u>	<u>187,247</u>
	<u>62,311</u>	<u>278,055</u>
Increase in cash for year	425,234	805,666
Cash (deficiency), beginning	<u>15,690</u>	<u>(789,976)</u>
Cash, ending	\$ <u>440,924</u>	\$ <u>15,690</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CHANGES IN CAPITAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>2005</u>	<u>2004</u>
Capital receipts		
Proceeds from bank loans		
Pupil transportation	\$ -	\$ 244,211
Less: Amount recoverable from Province	<u> -</u>	<u>(244,211)</u>
	<u> -</u>	<u> -</u>
Capital expenditure out of revenue	<u> -</u>	<u> 71,140</u>
Transfer from Current Fund	<u> 154,850</u>	<u> 116,107</u>
	\$ <u> 154,850</u>	\$ <u> 187,247</u>
Capital disbursements		
Additions to Property and Equipment	\$ <u> -</u>	\$ <u> 71,140</u>
Principal repayment of long-term debt		
Teachers' residences	<u> 154,850</u>	<u> 116,107</u>
	\$ <u> 154,850</u>	\$ <u> 187,247</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

- (1) Grants received by the District are recorded in either the current or capital funds, depending on their source. Grants from the Department of Education are treated as current revenues while those from the E.I.C. (Education Investment Corporation) are recorded as capital revenues. Also, amounts paid to construction companies from the E.I.C. on behalf of the District for capital projects are treated as capital revenues.
- (2) Capital asset additions are recorded at full cost in the capital fund.
- (3) The District does not calculate or record amortization on any of its capital assets.
- (4) Principal repayment of Pupil Transportation Loans are recorded as current expenditures. All other principal repayment of bank loans are recorded as capital expenditures.

2. Accounts Receivable

	<u>2005</u>	<u>2004</u>
<u>Current</u>		
Provincial Government	\$ 4,949,942	\$ 5,392,676
Transportation	-	-
Federal Government	87,188	82,982
Rent	470	212
Travel advances and miscellaneous	<u>187,498</u>	<u>151,216</u>
	<u>\$ 5,225,098</u>	<u>\$ 5,627,086</u>

3. Bank Indebtedness

	<u>2005</u>	<u>2004</u>
Account overdrafts	\$ -	\$ -
Operating line of credit	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Bank indebtedness bears interest at a rate of prime plus 0.5% and is secured by a guarantee of the Department of Education.

LABRADOR SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

4. Accounts Payable and Accrued Liabilities

	<u>2005</u>	<u>2004</u>
<u>Current</u>		
Trade payables	\$ 332,823	\$ 610,662
Accrued liabilities (other than interest and wages)	10,700	10,700
Accrued wages	-	-
Accrued teachers' holdback	3,449,941	3,543,309
Accrued severance - Non-teaching	767,708	756,458
Accrued severance - Teaching	5,376,408	5,501,389
Payroll deductions and mandatory payroll costs	-	26,585
Deferred grants	859,030	300,606
Other	<u>231,553</u>	<u>121,561</u>
	<u>\$ 11,028,163</u>	<u>\$ 10,871,270</u>

5. Investment in Capital Assets

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 42,023,720	\$ 41,836,473
Add: Additions to Property and Equipment	-	71,140
Add: Reduction in capital loan principal	<u>154,850</u>	<u>116,107</u>
Balance, end of year	<u>\$ 42,178,570</u>	<u>\$ 42,023,720</u>

6. Contingent Liability

The Lavers Inquiry is currently investigating allegations of abuse at schools formerly run by various churches in certain parts of Labrador. The possibility or magnitude of any resulting liability arising to the District is not known.

There presently exists an undetermined contingent liability which has arisen concerning a dispute between the Roman Catholic Diocese of Labrador City/Schefferville and the Labrador School Board over ownership of rental monies derived from Notre Dame Academy.

7. Other Matters

Effective January 1, 1997, the Labrador School Board was formed through the amalgamation of the Labrador West Integrated School Board, the Labrador East Integrated School Board and the Roman Catholic School Board for Labrador. The amalgamation was accounted for using the pooling of interests method whereby the assets and liabilities of each School Board were combined to become the assets of the new Labrador School Board.

LABRADOR SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

8. Deficit Adjustments

	<u>2005</u>	<u>2004</u>
Grant for the reduction of education travel	\$ (2,553)	\$ -
Reduction in Special Needs Transportation grant	1,647	-
Transfer of appropriated surplus to current surplus	(70,000)	-
Funding received during the year for busing deficit incurred during the year ended June 30, 2003	-	(267,265)
	<u>\$ (70,906)</u>	<u>\$ (267,265)</u>

9. Restricted Surplus

Restricted surplus represents unexpended funding received for the benefit of the Labrador West School Committee. The available funds must be expended in Labrador West.

10. Appropriated Surplus

Appropriated surplus represents funding set aside for the acquisition of bleachers at Mealey Mountain Collegiate during the year ending June 30, 2005.

11. Board Deficit

	<u>2005</u>	<u>2004</u>
Board deficit is comprised as follows:		
Deficit upon amalgamation at January 1, 1997	\$ 504,281	\$ 504,281
Deficit related to teachers' severance (responsibility of Provincial Government)	5,376,408	5,501,389
Deficit attributable to the Board operations since amalgamation	<u>724,875</u>	<u>810,492</u>
Board deficit, end of year	<u>\$ 6,605,564</u>	<u>\$ 6,816,162</u>

12. Instructional Materials - Other

	<u>2005</u>	<u>2004</u>
Native Peoples	\$ 70,234	\$ 51,935
Labrador Studies	28,705	7,510
Modern Technology	147,735	99,717
Labrador Science Fair	10,034	14,975
Creative Arts Festival	30,000	31,948
Lifeskills Program	20,822	15,036
Special Projects - Housing	135,718	247,248
Special Projects - Other	128,158	106,075
Labrador North Sports Meet	28,751	28,729
Innu Education Fund	53,152	55,768
Cultural activities	-	59,513
Textbooks and other	<u>6,104</u>	<u>6,731</u>
	<u>\$ 659,413</u>	<u>\$ 725,185</u>

SCHEDULE 1

**LABRADOR SCHOOL BOARD
CURRENT REVENUES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>2005</u>	<u>2004</u>
Current Revenues		
Provincial Government grants		
Regular operating grants		
Regular	\$ 5,339,915	\$ 4,929,215
Differential	124,990	545,072
Travel	9,538	10,218
NLSBA fees	22,744	24,100
Salaries and benefits		
Directors and Assistant Directors	323,112	342,484
Regular teachers	25,861,330	26,075,360
Substitute teachers	771,965	613,659
Student assistants	585,051	552,921
Pupil transportation		
Board owned	1,921,429	1,829,642
Contracted	-	-
Handicapped	-	56,000
	<u>34,960,074</u>	<u>34,978,671</u>
Ancillary Services		
Revenues from rental of residences	179,897	166,595
Revenues from rental of schools and facilities	<u>222</u>	<u>1,455</u>
	<u>180,119</u>	<u>168,050</u>
Miscellaneous		
Interest	10,367	9,051
Operating revenue from Native Peoples grant	2,123,624	2,439,259
Operating revenue from Innu Nation grant	465,390	542,088
Mining company grants	675,500	1,430,000
Bilingual education revenue (Francophone programs)	-	-
Sundry	<u>59,104</u>	<u>38,114</u>
	<u>3,333,985</u>	<u>4,458,512</u>
	<u>\$ 38,474,178</u>	<u>\$ 39,605,233</u>

See accompanying notes to financial statements.

**LABRADOR SCHOOL BOARD
ADMINISTRATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 2

	<u>2005</u>	<u>2004</u>
Salaries and Benefits		
Director of Education and Assistant Directors	\$ 333,792	\$ 400,722
District office personnel	651,923	797,144
Office supplies	15,545	15,600
Replacement furniture and equipment	5,389	25,535
Postage	14,768	7,325
Telephone and cable	40,082	32,354
Office equipment rentals and repairs	34,794	26,100
Electricity	5,822	5,539
Insurance	3,028	510
Travel	88,361	89,817
Board meeting expenses	69,100	63,134
Professional fees	27,081	21,857
Advertising	56,075	40,880
Membership dues	19,920	26,576
Municipal service fees	1,614	591
Miscellaneous	14,891	7,369
Payroll tax	11,208	13,397
Relocation expenses	2,250	-
Repairs and maintenance	-	6,015
Less: Severance pay adjustment	<u>(7,152)</u>	<u>(15,614)</u>
	<u>\$ 1,388,491</u>	<u>\$ 1,564,851</u>

See accompanying notes to financial statements.

**LABRADOR SCHOOL BOARD
INSTRUCTION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 3

	<u>2005</u>	<u>2004</u>
Instructional salaries (Gross)		
Teachers' salaries - Regular	\$ 23,697,676	\$ 24,238,685
- Substitute	740,138	588,062
- District paid	198,792	27,074
- Benefits	2,085,976	2,282,927
Student assistants - Regular	599,505	552,921
Augmentation payments	83,210	486,614
School secretaries - Salaries and benefits	679,396	673,008
Payroll tax	23,194	25,590
Other instructional salaries and benefits	914,671	941,377
Severance pay adjustment - Teachers	124,981	(245,496)
- School secretaries	(2,938)	(9,311)
- Other instructional staff	(14,454)	(14,616)
	<u>29,130,147</u>	<u>29,546,835</u>
Instructional materials		
General supplies	332,015	293,568
Library resource materials	63,548	59,874
Teaching aids	95,091	116,289
Labrador West funds	82,772	368,272
Grenfell Library program	283	-
Other (Note 12)	659,413	725,186
	<u>1,233,122</u>	<u>1,563,189</u>
Instructional furniture and equipment		
Replacement	38,859	47,252
Rentals and repairs	142,224	151,890
	<u>181,083</u>	<u>199,142</u>
Instructional staff travel		
Program co-ordinators	122,098	116,537
Teachers' travel	51,330	38,891
Students' travel	10,650	2,858
Inservice, conferences and other	245,217	174,146
	<u>429,295</u>	<u>332,432</u>
Other instructional costs		
Postage and stationery	1,825	4,870
Francophone Board funds	11,035	17,529
	<u>12,860</u>	<u>22,399</u>
	<u>\$ 30,986,507</u>	<u>\$ 31,663,997</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
OPERATIONS AND MAINTENANCE EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 4

	<u>2005</u>	<u>2004</u>
Salaries and benefits		
Janitorial	\$ 1,544,850	\$ 1,417,831
Maintenance	295,761	510,483
Computer technologists	285,242	305,691
Payroll tax	34,551	31,956
Electricity	396,738	400,357
Fuel	318,242	246,425
Municipal service fees	48,687	52,776
Telephone	107,174	138,639
Vehicle operating and travel	20,241	22,329
Janitorial supplies and other	130,003	100,157
Repairs and maintenance		
Buildings	475,479	415,936
Equipment	10,173	110,038
Contracted services		
Janitorial	13,963	34,014
Snow clearing	77,959	84,543
Mechanical, water and sewer	49,319	76,442
Severance pay adjustment - Computer technologists	(1,600)	(15,880)
- Janitorial staff	(22,608)	(45,872)
- Maintenance staff	<u>(1,833)</u>	<u>(12,865)</u>
	<u>\$ 3,782,341</u>	<u>\$ 3,873,000</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
PUPIL TRANSPORTATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

SCHEDULE 5

	<u>2005</u>	<u>2004</u>
Operation and Maintenance of Board Owned Fleet		
Salaries and benefits		
Administration	\$ 118,054	\$ 92,558
Drivers and mechanics	1,230,282	1,231,587
Payroll tax	20,609	21,652
Debt repayment		
Interest	48,994	56,836
Bank charges	-	-
Gas and oil	229,087	186,672
Licences	21,141	23,407
Insurance	36,853	29,646
Repairs and maintenance		
Fleet	121,930	106,081
Buildings	9,331	11,808
Tires and tubes	12,523	22,887
Heat and light	14,347	10,622
Municipal service	1,019	708
Snow clearing	14,762	14,101
Office supplies	5,881	6,650
Rent	28,773	28,773
Travel	11,546	14,402
Professional fees	-	19
Miscellaneous	7,086	7,083
Telephone	20,541	18,819
Severance pay adjustment - Transportation staff	(10,810)	(29,088)
	<u>1,941,949</u>	<u>1,855,223</u>
Contracted services		
Handicapped busing	<u>19,302</u>	<u>61,804</u>
	<u>\$ 1,961,251</u>	<u>\$ 1,917,027</u>

See accompanying notes to financial statements.

SCHEDULE 6**LABRADOR SCHOOL BOARD
ANCILLARY SERVICES AND MISCELLANEOUS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>2005</u>	<u>2004</u>
Ancillary services		
Operation of teachers' residences	\$ <u>119,690</u>	\$ <u>127,311</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
DETAILS OF PROPERTY AND EQUIPMENT
 FOR THE YEAR ENDED JUNE 30, 2005

	Balance 2004	<u>Additions</u>	<u>Disposals</u>	Balance 2005
Land and sites	\$ <u>173,221</u>	\$ -	\$ -	\$ <u>173,221</u>
Buildings				
Schools	35,181,620	-	-	35,181,620
Administration	283,947	-	-	283,947
Residential	2,408,738	-	-	2,408,738
Maintenance	<u>263,899</u>	<u>-</u>	<u>-</u>	<u>263,899</u>
	<u>38,138,204</u>	<u>-</u>	<u>-</u>	<u>38,138,204</u>
Furniture and equipment	<u>2,852,466</u>	<u>-</u>	<u>-</u>	<u>2,852,466</u>
Pupil transportation and vehicles				
Buses	1,292,406	-	-	1,292,406
Service	<u>89,385</u>	<u>-</u>	<u>-</u>	<u>89,385</u>
	<u>1,381,791</u>	<u>-</u>	<u>-</u>	<u>1,381,791</u>
	<u>\$ 42,545,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,545,682</u>

See accompanying notes to financial statements.

**LABRADOR SCHOOL BOARD
DETAILS OF LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 8

	<u>2005</u>	<u>2004</u>
Bank of Nova Scotia		
\$473,315, prime less 0.25% loan repayable in monthly instalments of \$3,287, maturing in 2011.	\$ 226,797	\$ 266,240
\$47,000, prime less 0.25% loan repayable in monthly instalments of \$196, maturing in 2019.	33,292	35,642
\$442,725, prime less 0.25% loan repayable in monthly instalments of \$3,137, maturing in 2012.	229,404	267,049
\$372,760, prime less 0.25% loan repayable in monthly instalments of \$2,689, maturing in 2012.	211,443	243,706
\$312,759, prime less 0.25% loan repayable in monthly instalments of \$2,172, maturing in 2013.	206,334	232,397
\$550,000, prime less 0.25% loan repayable in monthly instalments of \$2,292, maturing in 2022.	324,167	476,667
\$83,647, prime less 0.25% loan repayable in monthly instalments of \$581, maturing in 2014.	62,735	69,706
\$57,800, prime less 0.25% loan repayable in monthly instalments of \$963, maturing in 2008.	27,937	39,497
\$244,211, prime less 0.25% loan repayable in monthly instalments of \$1,696, maturing in 2016.	<u>208,595</u>	<u>228,947</u>
	1,530,704	1,859,851
	<u>204,146</u>	<u>204,147</u>
	<u>\$ 1,326,558</u>	<u>\$ 1,655,704</u>

See accompanying notes to financial statements.

**LABRADOR SCHOOL BOARD
SUMMARY OF LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Rate</u>	<u>Balance Beginning of Year</u>	<u>Loans Obtained During Year</u>	<u>Principal Repayment for Year</u>	<u>Balance End of Year</u>
Bus acquisition	Prime - 0.25%	266,240	-	39,443	226,797
Building construction	Prime - 0.25%	35,642	-	2,350	33,292
Bus acquisition	Prime - 0.25%	267,049	-	37,645	229,404
Bus acquisition	Prime - 0.25%	243,706	-	32,263	211,443
Bus acquisition	Prime - 0.25%	232,397	-	26,063	206,334
Building construction	Prime - 0.25%	476,667	-	152,500	324,167
Bus acquisition	Prime - 0.25%	69,706	-	6,971	62,735
Vehicle acquisition	Prime - 0.25%	39,497	-	11,560	27,937
Bus acquisition	Prime - 0.25%	<u>228,947</u>	<u>-</u>	<u>20,352</u>	<u>208,595</u>
		<u>\$ 1,859,851</u>	<u>\$ -</u>	<u>\$ 329,147</u>	<u>\$ 1,530,704</u>

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
SCHEDULE OF CURRENT MATURITIES
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bus acquisition	\$ 39,443	\$ 39,443	\$ 39,443	\$ 39,443	\$ 39,443
Building construction	2,350	2,350	2,350	2,350	2,350
Bus acquisition	37,645	37,645	37,645	37,645	37,645
Bus acquisition	32,263	32,263	32,263	32,263	32,263
Bus acquisition	26,063	26,063	26,063	26,063	26,063
Building construction	27,500	27,500	27,500	27,500	27,500
Bus acquisition	6,971	6,971	6,971	6,971	6,971
Vehicle acquisition	11,560	11,560	4,817	-	-
Bus acquisition	<u>20,351</u>	<u>20,351</u>	<u>20,351</u>	<u>20,351</u>	<u>20,351</u>
	<u>\$ 204,146</u>	<u>\$ 204,146</u>	<u>\$ 197,403</u>	<u>\$ 192,586</u>	<u>\$ 192,586</u>

See accompanying notes to financial statements.

SCHEDULE 8C**LABRADOR SCHOOL BOARD
SCHEDULE OF INTEREST EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>2005</u>	<u>2004</u>
Current		
Operating loans	\$ 2,081	\$ 7,200
Supplier interest charges	<u>2,861</u>	<u>3,182</u>
	\$ <u>4,942</u>	\$ <u>10,382</u>

See accompanying notes to financial statements.

**LABRADOR SCHOOL BOARD
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 9

	<u>2005</u>	<u>2004</u>
Cash		
Current		
Cash on hand	\$ 1,165	\$ 1,165
Bank	456,216	2,594
- General		
- Non-teaching payroll	(105,628)	(61,417)
- Teaching payroll	(6,816)	(20,517)
Labrador West School Committee Funds in trust	95,987	93,865
Operating loan	<u>-</u>	<u>-</u>
	<u>\$ 440,924</u>	<u>\$ 15,690</u>
Prepaid expenses		
Current		
Municipal service fees	\$ 11,724	\$ 11,844
Textbooks and school supplies	28,519	14,876
Janitorial and office supplies	48,377	3,050
Insurance	9,743	8,285
Rent	-	4,250
Salaries	53,216	38,678
Miscellaneous	<u>7,573</u>	<u>760</u>
	<u>\$ 159,152</u>	<u>\$ 81,743</u>

See accompanying notes to financial statements.

LABRADOR TRANSPORTATION INITIATIVE FUND

FINANCIAL STATEMENTS

31 MARCH 2006



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

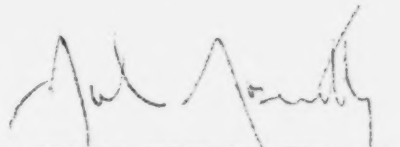
AUDITOR'S REPORT

To the Members
Labrador Transportation Initiative Fund
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Labrador Transportation Initiative Fund as at 31 March 2006 and the statements of revenue, expenses and fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
12 May 2006

LABRADOR TRANSPORTATION INITIATIVE FUND

BALANCE SHEET

31 March

2006

2005

ASSETS

Current

Cash	\$ 334,864	\$ 384,773
Investments, at cost (Note 2)	10,364,744	58,834,084
Accrued investment income receivable	9,834	92,719
	<u>\$ 10,709,442</u>	<u>\$ 59,311,576</u>

LIABILITIES AND EQUITY

LIABILITIES

Current

Accrued liabilities	\$ 435	\$ -
Due to Province of Newfoundland and Labrador	208,884	-
	<u>209,319</u>	<u>-</u>

EQUITY

Fund balance	10,500,123	59,311,576
	<u>10,500,123</u>	<u>59,311,576</u>
	<u>\$ 10,709,442</u>	<u>\$ 59,311,576</u>

See accompanying notes

Signed on behalf of the Board:


Chairperson


Member

LABRADOR TRANSPORTATION INITIATIVE FUND
STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
For the Year Ended 31 March

2006

2005

REVENUE

Investment income	\$ 1,247,088	\$ 1,705,455
-------------------	--------------	--------------

EXPENSES

Bank charges	4,463	6,310
Funded initiatives (Note 3)	50,053,778	22,105,799
Professional fees	300	300

	50,058,541	22,112,409
--	------------	------------

Excess of expenses over revenue	(48,811,453)	(20,406,954)
---------------------------------	--------------	--------------

Fund balance, beginning of year	59,311,576	79,718,530
---------------------------------	------------	------------

Fund balance, end of year	\$ 10,500,123	\$ 59,311,576
---------------------------	---------------	---------------

See accompanying notes

LABRADOR TRANSPORTATION INITIATIVE FUND**STATEMENT OF CASH FLOWS****For the Year Ended 31 March****2006****2005****Cash flows from operating activities**

Excess of expenses over revenue \$ (48,811,453) \$ (20,406,954)

Changes in non-cash working capital

Due from Province of Newfoundland and Labrador - 477,392

Accrued investment income receivable 82,885 22,105

Accrued liabilities 435 -

Due to Province of Newfoundland and Labrador 208,884 -

(48,519,249) (19,907,457)

Cash flows from investing activities

Purchases of investments (526,776,458) (590,093,975)

Maturities of investments 575,245,798 610,336,299

48,469,340 20,242,324

Net increase (decrease) in cash (49,909) 334,867

Cash, beginning of year 384,773 49,906

Cash, end of year \$ 334,864 \$ 384,773

See accompanying notes

LABRADOR TRANSPORTATION INITIATIVE FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2006

Authority

The Labrador Transportation Initiative Fund (the Fund) operates under the authority of the *Labrador Transportation Initiative Fund Act* enacted 19 December 1997. Its affairs are managed by a board of management (the Board) appointed by the Lieutenant-Governor in Council.

The objective of the Board is to authorize payments from the Fund to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador for the construction of the Trans Labrador Highway, maintenance of marine and ferry services to Labrador, and other Labrador initiatives related to transportation which the Lieutenant-Governor in Council may approve.

1. Significant accounting policies

These financial statements have been prepared by the Board in accordance with Canadian generally accepted accounting principles.

2. Investments

Investments are valued at a cost of \$10,364,744 (2005 - \$58,834,084) which approximates market value. As at 31 March 2006, the Fund had one investment. This investment has a maturity date of 28 April 2006 and an interest rate of 3.88%.

3. Funded initiatives

The Board approved the following initiatives for the year ended 31 March 2006:

	Approved Amount 2006	Actual Claim 2006	Adjustments Relating to 2005	Funded Initiatives 2006	Funded Initiatives 2005
	\$	\$	\$	\$	\$
Trans Labrador Highway (TLH)	40,250,000	32,132,863	60,933	32,193,796	7,227,233
Depot Construction - TLH	1,500,000	50,021	-	50,021	-
Environmental Impact Study	-	-	-	-	(17,591)
Pinsent's Arm Access Road	-	-	(1,760)	(1,760)	298,573
Coastal Labrador Ferry Service	18,193,000	17,522,024	(82,145)	17,439,879	14,004,768
Provincial Roads	-	-	-	-	3,253
Ferry Terminals	500,000	371,610	232	371,842	589,563
	60,443,000	50,076,518	(22,740)	50,053,778	22,105,799

The Fund paid the claimed amount noted above to the Department of Transportation and Works representing approved costs incurred. The adjustments relating to March 2005 were paid as submitted by the Department.

LABRADOR TRANSPORTATION INITIATIVE FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2006

4. Related party transactions

The Fund is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department and are not reflected in these financial statements.


5. Financial instruments

The Fund's financial instruments recognized in the balance sheet consist of cash, short-term investments, accrued investment income receivable, accrued liabilities, and due to Province of Newfoundland and Labrador, the carrying values of which approximate fair value due to the relatively short-term maturity associated with these instruments.

6. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Lions Manor Inc.
Financial Statements
March 31, 2006

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Directors of
Lions Manor Inc.

We have audited the statement of financial position of **Lions Manor Inc.** at March 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland
June 23, 2006

Grant Thornton LLP
Chartered Accountants

187 Kenmount Road
St. John's
Newfoundland and Labrador
A1B 3P9
T (709) 722-5960
F (709) 722-7892
E StJohns@GrantThornton.ca
W www.GrantThornton.ca


Canadian Member of Grant Thornton International

Lions Manor Inc.

Statement of Operations

Year Ended March 31	Budget	2006	2005
Revenue			
Rental income	\$ 170,076	\$ 165,210	\$ 174,161
Newfoundland and Labrador Housing Corporation subsidy (Note 7)	71,691	75,757	60,884
Domestic electricity charge	10,020	9,860	10,025
HST rebate	5,400	6,000	5,260
Laundry charge	4,800	4,660	4,750
Interest	228	368	190
	<u>262,215</u>	<u>261,855</u>	<u>255,270</u>
Expenditure			
Administration fees	8,580	8,505	7,118
Depreciation	51,392	51,392	49,081
Heat and light	59,530	58,570	58,844
Insurance	4,500	1,437	4,362
Interest on long term debt	82,123	81,902	84,243
Maintenance	29,020	32,395	21,134
Professional fees	2,050	4,025	4,025
Property taxes	10,056	10,055	10,055
Snow clearing	6,000	4,610	7,444
Water and sewer taxes	8,964	8,964	8,964
	<u>262,215</u>	<u>261,855</u>	<u>255,270</u>
Excess of revenue over expenditure	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ Nil</u>

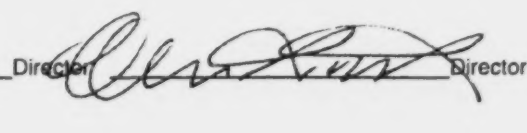
See accompanying notes to the financial statements.

Grant Thornton 


Lions Manor Inc.
Statement of Financial Position

March 31	2006	2005
Assets		
Current		
Cash and cash equivalents	\$ -	\$ 10,807
Receivables	8,322	6,145
Prepays	14,264	14,264
Due from Newfoundland and Labrador Housing Corporation (Note 5)	<u>1,042</u>	<u>-</u>
	23,628	31,216
Replacement reserve fund (Note 3)	374,607	383,260
Property and equipment (Note 4)	<u>1,633,705</u>	<u>1,685,098</u>
	<u>\$ 2,031,940</u>	<u>\$ 2,099,574</u>
Liabilities		
Current		
Bank indebtedness	\$ 626	\$ -
Payables and accruals	23,002	19,385
Due to Newfoundland and Labrador Housing Corporation (Note 5)	-	11,831
Current portion of long term debt	<u>54,024</u>	<u>51,382</u>
	77,652	82,598
Long term debt (Note 6)	1,560,658	1,614,693
Replacement reserve fund (Note 3)	<u>374,607</u>	<u>383,260</u>
	2,012,917	2,080,551
Net Assets		
Board capital contribution	<u>19,023</u>	<u>19,023</u>
	<u>\$ 2,031,940</u>	<u>\$ 2,099,574</u>

On behalf of the Board

 Director
  Director

See accompanying notes to the financial statements.

Grant Thornton 

Lions Manor Inc.
Statement of Cash Flows

Year Ended March 31


2006

2005

Increase (decrease) in cash and cash equivalents

Operating		
Depreciation	\$ 51,392	\$ 49,081
Change in non-cash operating working capital (Note 8)	<u>(11,433)</u>	<u>2,220</u>
	<u>39,959</u>	<u>51,301</u>
Financing		
Repayment of long term debt	<u>(51,392)</u>	<u>(49,081)</u>
Net (decrease) increase in cash and cash equivalents	(11,433)	2,220
Cash and cash equivalents		
Beginning of year	<u>10,807</u>	<u>8,587</u>
End of year	<u>\$ (626)</u>	<u>\$ 10,807</u>

See accompanying notes to the financial statements.

Grant Thornton 

Lions Manor Inc.
Notes to the Financial Statements
March 31, 2006

1. Nature of operations

Effective April 1, 2006 the Lions Manor Inc. is operated by Eastern Regional Integrated Health Authority. The Corporation was established to provide housing accommodations to senior citizens in Placentia and the surrounding area. As a housing corporation under the Canadian Income Tax Act, Lions Manor Inc. is not subject to either federal or provincial income tax.

2. Summary of significant accounting policies

Use of estimates

In preparing the Corporation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks (net of overdrafts). Bank borrowings are considered to be financing activities.

Depreciation

Depreciation is provided on property and equipment purchased from loans insured by Newfoundland and Labrador Housing Corporation at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other capital assets.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

3. Replacement reserve fund

Under the terms of the agreement with Newfoundland and Labrador Housing Corporation, the Replacement Reserve Fund is to be credited annually with an amount determined by Newfoundland and Labrador Housing Corporation. These funds, along with accumulated interest, are held on deposit with Newfoundland and Labrador Housing Corporation. The funds in the account may only be used as approved by Newfoundland and Labrador Housing Corporation.

Lions Manor Inc.
Notes to the Financial Statements
 March 31, 2006

3. Replacement reserve fund (cont'd.) 2006 2005

Transactions in the reserve fund consisted of the following:

Replacement reserve fund, beginning of year	\$ 383,260	\$ 387,159
Approved withdrawals for renovations and appliances	<u>(8,653)</u>	<u>(3,899)</u>
Replacement reserve fund, end of year	<u>\$ 374,607</u>	<u>\$ 383,260</u>
Replacement reserve fund is comprised of:		
Principal	\$ 315,449	\$ 315,449
Interest	<u>59,158</u>	<u>67,811</u>
	<u>\$ 374,607</u>	<u>\$ 383,260</u>

4. Property and equipment 2006 2005

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 91,339		\$ 91,339	\$ 91,339
Buildings and equipment	<u>2,006,589</u>	<u>\$ 464,223</u>	<u>1,542,366</u>	<u>1,593,759</u>
	<u>\$ 2,097,928</u>	<u>\$ 464,223</u>	<u>\$ 1,633,705</u>	<u>\$ 1,685,098</u>

5. Due to (from) Newfoundland and Labrador Housing Corporation

	<u>2006</u>	<u>2005</u>
Due to NLHC, beginning of year	\$ 11,831	\$ 5,663
Net subsidy for the year	(75,757)	(60,884)
Payments received during the year	156,815	153,385
Repayments issued during the year	<u>(93,931)</u>	<u>(86,333)</u>
Due to (from) NLHC, end of year	<u>\$ (1,042)</u>	<u>\$ 11,831</u>

Lions Manor Inc.

Notes to the Financial Statements

March 31, 2006

6. Long term debt	<u>2006</u>	<u>2005</u>
Newfoundland and Labrador Housing Corporation, 5.05% mortgage, repayable in blended monthly instalments of \$7,389, maturing October 2023, amortized over a 27 year period.	\$ 1,036,128	\$ 1,072,021
Newfoundland and Labrador Housing Corporation, 5.05% mortgage, repayable in blended monthly instalments of \$3,737, maturing December 2026, amortized over a 30 year period.	<u>578,554</u>	<u>594,054</u>
	\$ 1,614,682	\$ 1,666,075
Less: current portion	<u>54,024</u>	<u>51,382</u>
	<u>\$ 1,560,658</u>	<u>\$ 1,614,693</u>


The mortgages are secured by the related land and buildings.

Annual principal repayments required in each of the next five years are as follows:
2007 - \$54,024; 2008 - \$56,105; 2009 - \$59,005; 2010 - \$62,055; and 2011 - \$65,262.

7. Newfoundland and Labrador Housing Corporation subsidy

The project has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce operating costs to break even, enabling the project to provide housing to low income individuals. In accordance with Section 56.1, Canada Mortgage and Housing Corporation provides funding to Newfoundland and Labrador Housing Corporation who distributes subsidies to Lions Manor Inc. The amount of assistance received in 2006 was \$75,757 (2005 - \$60,884).

8. Supplemental cash flow information	<u>2006</u>	<u>2005</u>
Change in non-cash operating working capital		
Receivables	\$ (2,177)	\$ (3,010)
Payables and accruals	3,617	(938)
Due to NLHC	<u>(12,873)</u>	<u>6,168</u>
	\$ (11,433)	\$ 2,220
Interest paid	<u>\$ 81,902</u>	<u>\$ 84,243</u>

Grant Thornton 

Lions Manor Inc.
Notes to the Financial Statements

March 31, 2006

9. Related party transactions

Expenditures include \$19,491 (2005- \$16,655) paid to the Eastern Regional Integrated Health Authority for administration fees and maintenance costs.


10. Subsequent event

Effective April 1, 2006 the Avalon Health Care Institutions Board operations were incorporated under the authority of the Eastern Regional Integrated Health Authority.

Grant Thornton 

Lions Manor Inc.
Schedule of Operations by Phase
Year Ended March 31, 2006

	Phase I and II	Phase III	Total
Revenue			
Rental income	\$ 118,490	\$ 46,720	\$ 165,210
Newfoundland and Labrador Housing Corporation subsidy	94,761	(19,004)	75,757
Domestic electricity charge	7,280	2,580	9,860
HST rebate	4,575	1,425	6,000
Laundry charge	3,460	1,200	4,660
Interest	265	103	368
	<u>228,831</u>	<u>33,024</u>	<u>261,855</u>
Expenditure			
Administration fees	6,496	2,009	8,505
Depreciation	51,392	-	51,392
Heat and light	45,322	13,248	58,570
Insurance	1,437	-	1,437
Interest on long term debt	81,902	-	81,902
Maintenance	21,932	10,463	32,395
Professional fees	2,898	1,127	4,025
Property taxes	7,545	2,510	10,055
Snow clearing	3,319	1,291	4,610
Water and sewer taxes	6,588	2,376	8,964
	<u>228,831</u>	<u>33,024</u>	<u>261,855</u>
Excess of revenue over expenditure	\$ Nil	\$ Nil	\$ Nil

Grant Thornton 

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
FINANCIAL STATEMENTS
31 MARCH 2006**



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

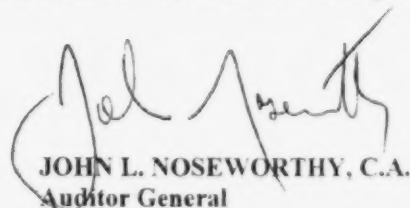
AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2006 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
22 June 2006

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
BALANCE SHEET**

31 March

2006

2005

ASSETS

Current

Cash	\$ 16,675	\$ 16,290
Accounts receivable	819	837
	<u>\$ 17,494</u>	<u>\$ 17,127</u>

LIABILITIES AND EQUITY

Current

Accounts payable and accrued liabilities	\$ 944	\$ 944
--	--------	--------

Equity

Contributions – Province of Newfoundland and Labrador	78,895	78,895
Deficit	(62,345)	(62,712)
	<u>16,550</u>	<u>16,183</u>
	<u>\$ 17,494</u>	<u>\$ 17,127</u>

See accompanying notes

Signed on behalf of the Board:

C. MacDonald
Chairperson

B. Macdonald
Member

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March

2006

2005

REVENUES

Province of Newfoundland and Labrador

Payments on behalf of the Board
for administration (Note 2)

\$ 6,906

\$ 1,100

Premiums from livestock owners

1,108

1,724

8,014

2,824

EXPENSES

Bank charges

30

60

Indemnity claims

711

846

Professional services (Note 2)

1,100

1,100

Salaries (Note 2)

5,645

-

Supplies (Note 2)

148

-

Transportation and communication (Note 2)

13

-

7,647

2,006

Excess of revenues over expenses

367

818

Deficit, beginning of year

(62,712)

(63,530)

Deficit, end of year

\$ (62,345)

\$ (62,712)

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2006

Authority

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

2. Payments on behalf of the Board for administration

The Board is administered by employees of the Department of Natural Resources. Salary costs of \$5,645 (not available for 2005) and other costs of \$1,261 (2005 - \$1,100) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

3. Economic dependence

As a result of the Board's reliance on Provincial funding to meet its administrative costs, the Board's ability to continue viable operations is dependent upon continued funding from the Province.

4. Financial instruments

The Board's financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

5. Income taxes

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

**MARBLE MOUNTAIN DEVELOPMENT
CORPORATION**

AUDITED FINANCIAL STATEMENTS

April 30, 2006

SQUIRE & HYNES

Chartered Accountants

57 Park Street, P.O. Box 248

Corner Brook, Newfoundland, A2H 6C9

Tel: (709) 634-8256 Fax: (709) 639-1647 email: accountants@squirehynes.ca

AUDITORS' REPORT

To the Directors of
Marble Mountain Development Corporation

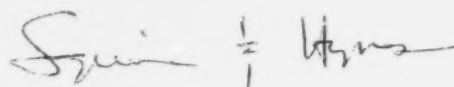
We have audited the balance sheet of Marble Mountain Development Corporation as at April 30, 2006 and the statements of revenue, expenditures and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation.

The Corporation's policy is not to amortize its property, plant and equipment. Canadian generally accepted accounting principles require that property, plant and equipment with a limited life held by not-for-profit organizations be amortized over their useful lives. The Corporation's policy is not to amortize its government assistance relating to the purchase of property, plant and equipment. Canadian generally accepted accounting principles require that government assistance be amortized on the same basis as the amortization expense of the related property, plant and equipment to which it relates.

In our opinion, except for the effects of the above as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 26, 2006



Richard C. Squire, C.A., C.B.V.
Kenneth L. Hynes, C.A.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

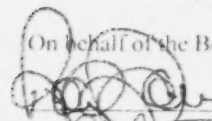
BALANCE SHEET
As at April 30, 2006


	2006	2005
<hr/>		
ASSETS	\$	\$
CURRENT ASSETS		
Cash	1,980	16,589
Accounts receivable	83,727	116,406
Inventory	41,293	34,237
Prepaid expenses	92,146	87,842
Due from Marble Mountain Management Corporation (note 12)	<u>193,287</u>	<u>194,903</u>
	412,433	449,977
 PROPERTY, PLANT AND EQUIPMENT (note 1)	 34,600,028	 33,871,365
 DEFERRED CHARGE	 <u>6,776</u>	 <u>11,845</u>
	<hr/> 35,019,237	<hr/> 34,333,187
<hr/>		
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 2)	1,661,594	1,509,661
Accounts payable and accrued liabilities (note 3)	309,785	298,753
Deferred revenue	6,800	406,500
Current portion - obligations under capital leases (note 4)	<u>103,484</u>	<u>46,548</u>
	2,081,663	2,261,462
 OBLIGATIONS UNDER CAPITAL LEASES (note 4)	 348,756	 -
 LONG-TERM DEBT (note 5)	 300,000	 300,000
 GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS (note 6)	 32,884,719	 32,363,529
	<u>35,615,138</u>	<u>34,929,991</u>
 SHAREHOLDER'S DEFICIENCY		
 SHARE CAPITAL (note 7)	 -	 -
DEFICIT	<u>(595,901)</u>	<u>(591,804)</u>
	<u>(595,901)</u>	<u>(591,804)</u>
	<hr/> 35,019,237	<hr/> 34,333,187

Lease commitments (note 10)

Contingent liability (note 11)

On behalf of the Board:

 Director

 Director

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT

For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE		
Income (loss) from operations		
Lift operations – Schedule I	(456,330)	(328,205)
Rental and repair shop – Schedule II	163,441	150,619
Cafeteria – Schedule III	36,162	34,838
Bar – Schedule IV	31,046	45,217
Ski school – Schedule V	45,175	43,783
Events – Schedule VI	2,455	14,588
Marketing – Schedule VII	(42,552)	(93,557)
Marble Villa – Schedule VIII	104,183	173,174
Tube park – Schedule IX	(13,768)	-
Interest income	1,521	1,249
Operating grant (note 8)	<u>820,000</u>	<u>400,000</u>
	<u>691,333</u>	<u>441,706</u>
EXPENDITURES		
Directors' fees (note 12)	4,326	5,640
Advertising	422	792
Labour services	165,332	155,592
Management fees (note 12)	6,030	4,020
Administration	10,058	6,853
Communications	6,014	6,535
Travel and conference	2,994	678
Interest on capital leases	20,631	8,589
Maintenance - sewage lagoon	1,368	-
Interest and bank charges	71,936	66,573
Professional fees	9,118	8,619
Board and committee meetings	8,041	10,290
Miscellaneous	<u>1,020</u>	<u>356</u>
	<u>307,290</u>	<u>274,537</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE THE UNDERNOTED	384,043	167,169
Write off of property, plant and equipment retired from service during the year (note 13)	<u>(388,140)</u>	<u>(12,597)</u>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR THE YEAR	(4,097)	154,572
Deficit at beginning of year	<u>(591,804)</u>	<u>(746,376)</u>
DEFICIT AT END OF YEAR	<u>(595,901)</u>	<u>(591,804)</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
For the year ended April 30, 2006

	2006	2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,980,782	2,119,505
Cash paid to suppliers and employees	(2,257,870)	(2,265,315)
Interest received	1,521	1,249
Interest paid	<u>(122,670)</u>	<u>(100,341)</u>
	<u>(398,237)</u>	<u>(244,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,355,342)	(26,058)
Proceeds on disposal of property, plant and equipment	<u>71,729</u>	<u>1,618</u>
	<u>(1,283,613)</u>	<u>(24,440)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital leases	529,625	-
Repayment of capital lease obligations	(123,933)	(74,584)
Decrease (increase) in due from Marble Mountain Management Corporation	1,616	1,507
Operating grant	420,000	-
Department of Tourism, Culture & Recreation capital grant	688,000	-
Operating grant received in advance	<u>-</u>	<u>400,000</u>
	<u>1,515,308</u>	<u>326,923</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(166,542)	57,581
Cash and cash equivalents at beginning of year (note)	<u>(1,493,072)</u>	<u>(1,550,653)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (note)	<u>(1,659,614)</u>	<u>(1,493,072)</u>

Note to the statement of cash flows

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2006	2005
	\$	\$
Cash	1,980	16,589
Bank indebtedness	<u>(1,661,594)</u>	<u>(1,509,661)</u>
	<u>(1,659,614)</u>	<u>(1,493,072)</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 2006

GENERAL

The Corporation is a "Non-Profit Development Corporation" incorporated under the *Corporations Act* of Newfoundland and Labrador. Its affairs are managed by a Board of Directors appointed by the Lieutenant Governor in Council. The Province of Newfoundland and Labrador holds 100% of the issued common shares.

The principal business activity of the Corporation is managing and controlling the operations of the area known as the Marble Mountain Development area.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Property, plant and equipment

Property, plant and equipment purchased by the Corporation are stated at cost. Donated assets are recorded at their estimated fair market value. No provision for amortization of property, plant and equipment is recorded in the financial statements of the Corporation.

Deferred charge

Deferred charge represents the unamortized cost of purchasing uniforms for snow school instructors. Amortization of the deferred charge is provided on the straight-line basis over three years and is recorded as ski patrol expense in lift operations.

Government assistance and other contributions

Government grants and other contributions related to the acquisition of property, plant and equipment are recorded as deferred credits. The deferred credits related to the acquisition of property, plant and equipment have not been amortized. Government assistance and other contributions related to property, plant and equipment retired from use are credited against the property, plant and equipment in the year of retirement.

Government grants related to operations are recorded as revenue or as a reduction of the expense to which the grant relates.

Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

1. PROPERTY, PLANT AND EQUIPMENT

	<u>2006</u>	<u>2005</u>
	\$	\$
Snowmaking – water intake system	<u>1,624,229</u>	<u>1,624,229</u>
Buildings		
Maintenance building	413,919	413,919
Day Lodge	6,909,191	6,905,762
Buildings – other	120,309	116,641
Condominium	<u>3,157,617</u>	<u>3,157,617</u>
	<u>10,601,036</u>	<u>10,593,939</u>
Equipment		
Snowmaking	5,103,704	4,359,522
Chairlifts	2,318,412	2,318,412
Snowgroomers	548,739	651,422
T-bars/platter lift	120,824	120,824
Ski rental	169,481	283,022
Racing	-	64,127
Detachable quad lift	2,302,738	2,302,738
Tube park lift	<u>9,582</u>	<u>-</u>
	<u>10,573,480</u>	<u>10,100,067</u>
Other		
Heritage tree	120,856	120,856
Motor vehicles	45,529	61,395
Slopes, roads and parking lots	8,345,166	8,345,166
Furniture and equipment	741,538	737,144
Land assembly	1,870,356	1,870,356
Equipment under capital lease	529,625	270,000
Snowboard park	34,822	34,822
Playground equipment	23,965	23,965
Walking trails	<u>89,426</u>	<u>89,426</u>
	<u>11,801,283</u>	<u>11,553,130</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u><u>34,600,028</u></u>	<u><u>33,871,365</u></u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued) For the year ended April 30, 2006

2. BANK INDEBTEDNESS

	<u>2006</u>	<u>2005</u>
	\$	\$
Outstanding cheques in excess of funds on deposit	24,735	-
Line of credit	<u>1,636,859</u>	<u>1,509,661</u>
	<u>1,661,594</u>	<u>1,509,661</u>

The line of credit is authorized in the amount of \$2,100,000 and bears interest at the rate of bank prime less .5%. It is secured by a Provincial Government guarantee and letter of indemnity and overdraft agreement signed by the Board of Directors.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2006</u>	<u>2005</u>
	\$	\$
Trade	271,379	269,969
Harmonized Sales Tax payable	528	2,512
Payroll deductions payable	33,970	23,841
Wages payable	<u>3,908</u>	<u>2,441</u>
	<u>309,785</u>	<u>298,753</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

4. OBLIGATIONS UNDER CAPITAL LEASES

	2006	2005
	\$	\$
Obligations under capital leases represents the future minimum lease payments discounted at the interest rate implicit in the leases. Interest rates implicit in the capital leases outstanding at April 30, 2006 were 8.6% and 6.77% (2005 - 22%).		
The future minimum lease payments required under the lease agreements are as follows:		
2006	-	46,928
2007	134,100	-
2008	134,100	-
2009	134,100	-
2010	88,732	-
2011	33,024	-
	524,056	46,928
Less: Amount representing interest	(71,816)	(380)
	452,240	46,548
Less: Principal included in current liabilities	(103,484)	(46,548)
	<u>348,756</u>	-

Principal due within each of the next five years on capital lease obligation is approximately as follows:

	\$
2007	103,484
2008	111,759
2009	120,705
2010	83,873
2011	<u>32,419</u>
	<u>452,240</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

5. LONG-TERM DEBT

	2006	2005
	\$	\$
Department of Innovation, Trade and Rural Development loan, non-interest bearing and repayable in annual installments based on 20% of available cash flow. Due 2015.	<u>300,000</u>	<u>300,000</u>

The above long-term debt is secured by chattel mortgage on specific equipment. Long-term debt repayments required to meet retirement provisions are based on available cash flow which is defined as net profit plus amortization less principal payments on long-term debt and capital leases. In the current year, there is no available cash flow, therefore no repayment is due. The Corporation has until 2015 to repay the loan in full.

6. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS - CAPITAL

The Corporation has recorded government grants and other contributions related to the acquisition of property, plant and equipment as deferred credits.

	2006	2005
	\$	\$
Balance at beginning of year	32,363,529	32,382,710
Assistance received during the year		
Province of Newfoundland and Labrador		
Department of Tourism and Culture	<u>688,000</u>	<u>-</u>
	33,051,529	32,382,710
Less amount related to property, plant and equipment retired from service or sold during the year	<u>(166,810)</u>	<u>(19,181)</u>
Balance at end of year	<u>32,884,719</u>	<u>32,363,529</u>

7. SHARE CAPITAL

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

8. GOVERNMENT ASSISTANCE AND OTHER CONTRIBUTIONS – OPERATIONS

Province of Newfoundland and Labrador - Operating grant

For the year ended April 30, 2006, an administrative operating grant in the amount of \$820,000 (2005 - \$400,000) was approved and received.

The above contribution is subject to the terms and conditions as outlined in the contribution agreement.

9. INCOME TAXES

The Corporation is a non-profit corporation wholly owned by the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes under the Canadian Income Tax Act.

10. LEASE COMMITMENTS

The corporation leases equipment under long-term leases which expire at various times between 2007 and 2010. The future minimum lease payments under these long-term leases is approximately as follows:

	\$
2007	18,085
2008	5,932
2009	2,882
2010	1,441

11. CONTINGENT LIABILITY

As at April 30, 2006, a supplier had claimed that the Corporation owed it approximately \$70,005 for services rendered. The Corporation's management feels that the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Corporation has not recorded in its accounts any provision for losses that may result from the claim.

12. RELATED PARTY TRANSACTIONS

As at April 30, 2006, the Corporation was owed \$193,287 (2005 - \$194,903) from Marble Mountain Management Corporation. This receivable relates to the balance outstanding as a result of labour services provided, cash transfers, equipment rental and the transfer of operating assets.

During the year ended April 30, 2006, a management fee was paid to the Chairperson of the Board of Directors in the amount of \$6,030 (2005 - \$4,020). In addition, directors' fees of \$4,326 (2005 - \$5,640) were paid in total to the Board of Directors of the Corporation.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

13. PROPERTY, PLANT AND EQUIPMENT RETIRED FROM SERVICE

During the year the Corporation retired property, plant and equipment which were no longer required in the operation. Property, plant and equipment retired from service which were purchased with government assistance has been recorded as a reduction to government assistance. The other property, plant and equipment retired from service has been charged to operations.

14. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, due from Marble Mountain Management Corporation, bank indebtedness, accounts payable and accrued liabilities, deferred revenue, obligations under capital leases, and long-term debt. Unless otherwise noted, it is management's opinion that the entity is not exposed to significant currency or credit risks from these financial instruments. However, the entity is exposed to interest rate risk on its operating line of credit. The interest rate is variable and is subject to interest rate volatility. The fair values of these financial instruments approximates their carrying values unless otherwise noted.

15. COMPARATIVE FIGURES

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE I
STATEMENT OF REVENUE AND EXPENDITURES - LIFT OPERATIONS
For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE		
Lift tickets	452,364	471,548
Season passes	388,428	379,124
Tenant - revenue	12,639	12,694
Children's centre	13,129	11,844
Other	3,031	2,326
Facilities rental	<u>5,882</u>	<u>5,230</u>
	<u>875,473</u>	<u>882,766</u>
EXPENDITURES		
Management contract	99,700	74,250
Snowmaking		
Electricity	107,436	89,094
Labour services	29,266	18,134
Equipment maintenance	53,539	59,111
Snowgun rental	10,936	11,886
Vehicle operating		
Repairs	43,505	72,221
Fuel	48,793	38,151
Lift repairs	115,500	53,773
Lift rental	10,000	-
Maintenance		
Equipment	200	593
Building	49,193	42,444
Slopes	13,345	1,848
Labour services	301,920	309,761
Heating and electricity	103,896	85,813
Insurance	129,153	140,445
Ski patrol	65,890	73,258
Supplies	28,539	24,635
Municipal fees	17,500	17,500
Interest and bank charges	23,461	22,908
Security	1,514	3,065
Children's centre	17,065	17,863
Miscellaneous	14,293	9,437
Snowclearing	12,740	12,610
Communications	18,451	14,707
Equipment rental	11,979	6,415
Licence and fees	-	475
Uniforms	2,886	6,741
Special Events	<u>1,103</u>	<u>3,833</u>
	<u>1,331,803</u>	<u>1,210,971</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>(456,330)</u>	<u>(328,205)</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE II

STATEMENT OF REVENUE AND EXPENDITURES - RENTAL AND REPAIR SHOP

For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE	<u>211,227</u>	<u>198,795</u>
EXPENDITURES		
Labour services	45,106	44,564
Supplies	2,269	2,365
Miscellaneous	40	443
Communications	371	254
Equipment rental	-	550
	<u>47,786</u>	<u>48,176</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>163,441</u>	<u>150,619</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE III
STATEMENT OF REVENUE AND EXPENDITURES - CAFETERIA
For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE	222,962	239,329
COST OF SALES	<u>102,344</u>	<u>124,962</u>
GROSS PROFIT	<u>120,618</u>	<u>114,367</u>
EXPENDITURES		
Repairs and maintenance	1,036	891
Miscellaneous	867	1,939
Supplies	10,967	7,556
Communications	583	526
Labour services	<u>71,003</u>	<u>68,617</u>
	<u>84,456</u>	<u>79,529</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>36,162</u>	<u>34,838</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

**SCHEDULE IV
STATEMENT OF REVENUE AND EXPENDITURES - BAR
For the year ended April 30, 2006**

	2006	2005
	\$	\$
REVENUE	113,530	141,271
COST OF SALES	<u>39,889</u>	<u>47,590</u>
GROSS PROFIT	<u>73,641</u>	<u>93,681</u>
EXPENDITURES		
Entertainment	4,750	9,010
Repairs and maintenance	111	734
Labour services	26,319	26,018
Communications	385	470
Security	-	1,135
Accommodations - bands	-	4,858
Special events	5,723	5,358
Supplies	788	80
Licenses and fees	806	801
SnoJam accommodations	<u>3,713</u>	<u>-</u>
	<u>42,595</u>	<u>48,464</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>31,046</u>	<u>45,217</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE V

STATEMENT OF REVENUE AND EXPENDITURES - SKI SCHOOL

For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE	<u>135,560</u>	<u>134,450</u>
EXPENDITURES		
Labour services	74,026	76,311
Uniforms	7,631	6,247
Training	4,440	3,953
Advertising	-	183
Supplies	551	401
Miscellaneous	500	648
Krunchers Club	2,891	2,534
Communications	346	390
	<u>90,385</u>	<u>90,667</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>45,175</u>	<u>43,783</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VI
STATEMENT OF REVENUE AND EXPENDITURES - EVENTS
For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE	87,019	126,102
COST OF SALES	<u>23,804</u>	<u>36,204</u>
GROSS PROFIT	<u>63,215</u>	<u>89,898</u>
EXPENDITURES		
Labour services	50,727	63,066
Maintenance	810	540
Supplies	5,395	5,357
Miscellaneous	643	1,043
Travel	150	492
Interest and bank charges	1,733	2,203
Entertainment	-	1,186
Communications	<u>1,302</u>	<u>1,423</u>
	<u>60,760</u>	<u>75,310</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>2,455</u>	<u>14,588</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VII
STATEMENT OF REVENUE AND EXPENDITURES - MARKETING
 For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE		
Sponsorship	29,200	32,584
Advertising	<u>30,312</u>	<u>32,953</u>
	<u>59,512</u>	<u>65,537</u>
EXPENDITURES		
Advertising		
Television	1,837	53,622
Print	10,138	6,271
Radio	27,584	35,780
Internet	3,219	2,250
Atlantic Marketing Initiatives	435	-
UK/International marketing	5,000	383
Labour services	38,181	36,014
Communications	4,048	3,751
Complementary villa rooms	762	7,719
Membership fees	670	2,055
Travel and meetings	78	279
Brochures	-	1,420
Ski shows and familiarization tours	4,420	4,981
Office and postage	489	290
Supplies	<u>5,203</u>	<u>4,279</u>
	<u>102,064</u>	<u>159,094</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>(42,552)</u>	<u>(93,557)</u>

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

SCHEDULE VIII
STATEMENT OF REVENUE AND EXPENDITURES - MARBLE VILLA
For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE		
Rental revenue	216,461	300,356
EXPENDITURES		
Housekeeping	16,475	23,333
Heat and light	28,529	33,113
Repairs and maintenance	4,585	16,101
Labour services	16,165	17,137
Security wages	8,957	3,435
Common area expense	7,100	6,900
Insurance	8,000	7,890
Communications	5,517	5,834
Cable television	4,705	4,348
Supplies	6,158	5,739
Interest and bank charges	4,909	68
Travel	-	68
Marketing	731	2,359
Professional fees	-	300
Bad debt expense	-	209
Miscellaneous	-	348
Laundry	447	-
	112,278	127,182
EXCESS OF REVENUE OVER EXPENDITURES	104,183	173,174

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

**SCHEDULE VIII
STATEMENT OF REVENUE AND EXPENDITURES - TUBE PARK
For the year ended April 30, 2006**

	2006	2005
	\$	\$
REVENUE	<u>26,059</u>	<u>-</u>
EXPENDITURES		
Lift rental	20,000	-
Labour services	15,817	-
Insurance	2,915	-
Supplies	545	-
Miscellaneous	50	-
Inspection	<u>500</u>	<u>-</u>
	<u>39,827</u>	<u>-</u>
EXCESS OF EXPENDITURES OVER REVENUE	<u>(13,768)</u>	<u>-</u>

**MARBLE MOUNTAIN MANAGEMENT
CORPORATION**

AUDITED FINANCIAL STATEMENTS

April 30, 2006

SQUIRE & HYNES

Chartered Accountants

57 Park Street, P.O. Box 248

Corner Brook, Newfoundland, A2H 6C9

Tel: (709) 634-8256 Fax: (709) 639-1647 email: accountants@squirehynes.ca

AUDITORS' REPORT

To the Directors of
Marble Mountain Management Corporation

We have audited the balance sheet of Marble Mountain Management Corporation as at April 30, 2006 and the statements of revenue, expenditures and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at April 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 21, 2006

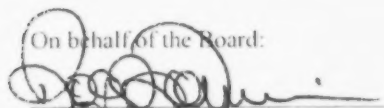



MARBLE MOUNTAIN MANAGEMENT CORPORATION

BALANCE SHEET
As at April 30, 2006

	2006	2005
<hr/>		
ASSETS	\$	\$
CURRENT ASSETS		
Cash	2,508	4,124
<hr/>		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 1)	<u>193,287</u>	<u>194,903</u>
 SHAREHOLDER'S DEFICIENCY		
SHARE CAPITAL (note 2)		
Authorized and issued	1	1
500 Common shares		
DEFICIT	<u>(190,780)</u>	<u>(190,780)</u>
	<u>(190,779)</u>	<u>(190,779)</u>
<hr/>		
	2,508	4,124
<hr/>		

On behalf of the Board:

 Director

 Director

MARBLE MOUNTAIN MANAGEMENT CORPORATION

STATEMENT OF REVENUE, EXPENDITURES AND DEFICIT
For the year ended April 30, 2006

	2006	2005
	\$	\$
REVENUE		
Labour services	635,881	428,370
Interest income	<u>316</u>	<u>174</u>
	<u>636,197</u>	<u>428,544</u>
EXPENDITURES		
Wages and benefits	636,197	428,534
Interest and bank charges	<u>-</u>	<u>10</u>
	<u>636,197</u>	<u>428,544</u>
EXCESS OF REVENUE OVER EXPENDITURES	-	-
Deficit at beginning of year	(190,780)	(190,780)
DEFICIT AT END OF YEAR	(190,780)	(190,780)

MARBLE MOUNTAIN MANAGEMENT CORPORATION

STATEMENT OF CASH FLOWS

For the year ended April 30, 2006

	2006	2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	635,881	428,370
Cash paid to suppliers and employees	(636,197)	(428,534)
Interest received	316	174
Interest paid	<u>-</u>	<u>(10)</u>
	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in payable to Marble Mountain Development Corporation	<u>(1,616)</u>	<u>(1,507)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,616)	(1,507)
Cash and cash equivalents at beginning of year (note)	<u>4,124</u>	<u>5,631</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (note)	<u>2,508</u>	<u>4,124</u>

Note to the statement of cash flows

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments.

MARBLE MOUNTAIN MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 2006

GENERAL

The Corporation is incorporated under the *Corporations Act* of Newfoundland and Labrador. The Province of Newfoundland and Labrador holds 100% of the issued common shares.

The principal activity of the Corporation is providing labour services for Marble Mountain Development Corporation.

SIGNIFICANT ACCOUNTING POLICY

Accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimated.

1. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2006</u>	<u>2005</u>
	\$	\$
Marble Mountain Development Corporation (note 5)	<u>193,287</u>	<u>194,903</u>

2. SHARE CAPITAL

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

3. INCOME TAXES

The Corporation is a non-profit corporation wholly owned by the Province of Newfoundland and Labrador and as such is not subject to Federal or Provincial income taxes under the Canadian Income Tax Act.

4. RELATED PARTY TRANSACTIONS

As at April 30, 2006, the Corporation owed \$193,287 (2005 - \$194,903) to Marble Mountain Development Corporation. This payable related to the balances outstanding as a result of labour services provided, cash transfers, equipment rental and transfer of operating assets.

MARBLE MOUNTAIN MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

For the year ended April 30, 2006

5. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risks from these financial instruments. The fair values of these financial instruments approximates their carrying values, unless otherwise noted.

Consolidated Financial Statements of

**MEMORIAL UNIVERSITY OF
NEWFOUNDLAND**

March 31, 2006

Auditors' Report

To the Board of Regents of
Memorial University of Newfoundland

We have audited the consolidated statement of financial position of Memorial University of Newfoundland (the "University") as at March 31, 2006 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 16, 2006

STATEMENT 1

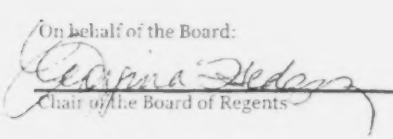
MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Financial Position
March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,348	\$ 26,549
Short term investments	9,905	13,914
Accounts receivable	38,965	33,559
Accrued interest receivable	959	694
Inventory and prepaids	6,148	5,141
	92,325	79,857
Mortgage receivable	450	590
Investments (note 7)	48,699	47,136
Capital assets (note 3)	157,085	152,374
	\$ 298,559	\$ 279,957
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 6)	\$ 6,003	\$ 7,142
Accounts payable and accrued liabilities	11,912	12,507
Deferred revenue	10,616	12,474
Current portion of employee benefits obligation	9,390	9,672
Current portion of long term debt (note 5)	1,311	2,272
	39,232	44,067
Long-term liabilities:		
Long-term debt (note 5)	840	1,406
Employee benefits obligation (note 12)	79,367	74,019
	80,207	75,425
Deferred contributions (note 4)	191,371	179,009
Net Assets:		
Net assets restricted for endowment purposes (note 10)	53,114	48,620
Net assets invested in capital assets	(1,638)	(1,819)
Unrestricted net assets	(63,727)	(65,345)
	(12,251)	(18,544)
	\$ 298,559	\$ 279,957

See accompanying notes to consolidated financial statements.
 Contingencies (note 9)
 Subsequent events (note 13)

On behalf of the Board:


 Chair of the Board of Regents


 Chair of the Finance Committee

STATEMENT 2

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Operations
Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	2006	2005
Revenue:		
Government grants	\$ 243,191	\$ 216,332
Student fees	54,924	52,408
Other income	29,721	31,857
Amortization of deferred capital contributions	20,702	18,585
Sales and services	14,800	14,773
Investment income	6,162	3,184
Donations	2,757	422
	372,257	337,561
Expenditures:		
Salaries	193,158	187,779
Materials and supplies	37,889	28,045
Employee benefits	33,400	30,949
Amortization	20,455	18,931
Utilities	17,176	15,013
Scholarships and bursaries	16,297	15,384
Other	13,495	7,966
Externally contracted services	12,895	13,402
Travel and hosting	12,293	9,987
Renovations	10,673	11,323
Professional fees	8,629	5,658
Employee future benefits	5,000	3,554
Equipment rentals	2,465	2,845
Books	625	708
External cost recoveries	(15,596)	(14,528)
	368,854	337,016
Surplus of revenue over expenditures for the year	\$ 3,403	\$ 545

See accompanying notes to consolidated financial statements.

STATEMENT 3

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Changes in Net Assets

Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	Invested in Capital Assets	Restricted for Endowment	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	\$ (1,819)	\$ 48,620	\$ (65,345)	\$ (18,544)	\$ (21,993)
Surplus of revenue over expenditures	247	1,604	1,552	3,403	545
Endowment contributions		2,890		2,890	2,904
(Decrease) increase to invested in capital assets	(66)		66	-	-
Balance, end of year	\$ (1,638)	\$ 53,114	\$ (63,727)	\$ (12,251)	\$ (18,544)

See accompanying notes to consolidated financial statements.

STATEMENT 4

MEMORIAL UNIVERSITY OF NEWFOUNDLAND
Consolidated Statement of Cash Flows
Year ended March 31, 2006, with comparative figures for 2005

(thousands of dollars)

	2006	2005
Cash provided by (used in):		
Operating activities:		
Surplus of revenue over expenditure for the year	\$ 3,403	\$ 545
Items not involving cash:		
Amortization of capital assets	20,455	18,931
Net increase in deferred contributions related to expenses of future periods	5,050	4,559
Amortization of deferred capital contributions	(20,702)	(18,585)
Increase in employee benefits obligations	5,066	3,543
Loss on disposal of capital assets	144	178
Change in non-cash working capital	(9,131)	(10,040)
	4,285	(869)
Financing activities:		
Decrease in bank indebtedness	(1,139)	(634)
Endowment contributions	2,890	2,904
Repayment of long-term debt	(1,527)	(1,311)
	224	959
Investing activities:		
Addition to deferred capital contributions	28,014	27,820
Capital assets acquired	(25,310)	(29,430)
Increase in pooled investments	(1,563)	(4,139)
Decrease in short-term investments	4,009	(13,914)
Reduction in mortgage receivable	140	1
	5,290	(19,662)
Increase (decrease) in cash and cash equivalents	9,799	(19,572)
Cash and cash equivalents, beginning of year	26,549	46,121
Cash and cash equivalents, end of year	\$ 36,348	\$ 26,549

See accompanying notes to consolidated financial statements.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

1. AUTHORITY AND PURPOSE

Memorial University of Newfoundland (the "University") is a corporation operating under the authority of the *Memorial University Act*. It is a comprehensive research university offering a full range of undergraduate, graduate and continuing studies programs. The academic governance of the University is vested in the Senate. The University is a not-for-profit entity, governed by a Board of Regents, the majority of whom are appointed by the Province of Newfoundland and Labrador. The University is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting principles are summarized as follows:

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Consolidated statements

These financial statements have been prepared on a consolidated basis, reporting the operations and financial position of the University and the following related not-for-profit organizations:

- ⇒ C-CORE
- ⇒ The Canadian Centre for Marine Communications (CCMC)
- ⇒ The Canadian Centre for Fisheries Innovation (CCFI)
- ⇒ Genesis Group Inc.
- ⇒ The Memorial University of Newfoundland Botanical Garden Incorporated
- ⇒ Memorial University Recreation Complex (MURC)
- ⇒ Newfoundland Quarterly Foundation

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(c) Cash equivalents and short term investments

Cash equivalents and short term investments consist primarily of cash, treasury bills and bankers' acceptances. Investments with original maturities less than three months past year end are classified as cash equivalents. Investments with maturities beyond three months to one year past year end are classified as short term investments. Short term investments are carried at cost, which approximates market value.

(d) Revenue recognition

The University follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which related expenses are recognized. Contributions of capital assets are recorded at fair market value at the date of the contribution and deferred and amortized to operations on the same basis as the related asset. Endowment contributions are recognized as direct increases in the net assets in the year in which they are received. Revenues from contracts and sales are recognized when the goods or services are provided and collection is reasonably assured.

(e) Contributed services

Volunteers, including volunteer efforts from the staff of the University, contribute an indeterminable number of hours per year to assist the University in carrying out its service delivery activities. The costs that would otherwise be associated with these contributed services is not recognized in these financial statements.

(f) Investments

Investments are carried at cost. Fair values have been determined on the basis described in note 7 and are considered to approximate market values.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(g) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of acquisition. Repairs and maintenance expenditures are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

The University's permanent art collection is expensed as incurred and the value of donated art is not recognized in these financial statements.

Capital assets are amortized using the following rates. One-half year's amortization is taken in the year of acquisition and no amortization in the year of disposal.

⇒ Buildings	8% declining balance
⇒ Furniture and equipment	20% declining balance
⇒ Computers	30% declining balance
⇒ Banner Finance	20% declining balance
⇒ Vehicles	30% declining balance
⇒ Campus network	5 years straight line
⇒ Library collection	10 years straight line

(h) Employee future benefits

(i) Pension costs and obligations

The employees of the University participate in a defined benefit pension plan administered under the Memorial University Pensions Act with any deficiencies being funded by the Province of Newfoundland and Labrador. Payments to the pension plan consist of contributions from employees and contributions from the University as prescribed in the Pension Benefits Act (1997). In addition, where the plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the deficiency within 5 years of the solvency valuation date. The University's contributions to the Pension Plan are recorded as expenditure in the Statement of Operations.

The most recent actuarial valuation prepared by Eckler Partners Ltd. Disclosed a solvency deficiency of \$137,392,000 and a going concern deficiency of \$91,344,000 at March 31, 2006. Under the Pension Benefits Act (PBA), a going concern deficiency must be funded over a period of not more than 15 years while a solvency deficiency is to be funded over a maximum 5 year period. Amortization of the going concern deficiency requires minimum special payments of \$6,859M per year. At present, the University has an exemption under the PBA from making payments relating to the solvency deficiency which expires December 31, 2010.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

2. Significant Accounting Policies (cont'd)

(ii) Other post employment benefits

The University accrues its obligations for employee benefit plans. The employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and administration's best estimate of salary escalation, retirement ages of employees and escalation in covered benefit expense outlays.

The University recognizes the cost of the Supplemental Retirement Income Plan (SRIP), the Voluntary Early Retirement Income Plan (VERIP) and the cost of future employee benefits which include severance, accrued vacation, group life insurance and health care benefits.

(i) Agency Obligations

The University acts as an agent which holds resources and makes disbursements on behalf of various unrelated groups. The University has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities, not revenue, and subsequent distributions are recorded as decreases to these liabilities.

3. Capital assets

	Cost	Accumulated Depreciation	2006 Net Book Value	2005 Net Book Value
Buildings	\$187,538	\$100,224	\$87,314	\$92,061
Furniture & Equipment	56,041	26,238	29,803	21,535
Computers	26,096	18,105	7,991	7,003
Banner Finance	1,722	928	794	992
Vehicles	1,982	1,098	884	573
Campus network	3,283	2,953	330	990
Library collection	106,488	76,519	29,969	29,220
	\$383,150	\$226,065	\$157,085	\$152,374

Capital assets include certain assets under capital lease with a net book value of \$3.354 million (2005 - \$4.663 million).

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

4. Deferred Contributions

(a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and programs.

	2006	2005
Balance, beginning of year	\$35,829	\$31,271
Revenue received during the year	54,139	46,411
Expenses incurred during the year	49,089	41,853
	\$40,879	\$35,829

(b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2006	2005
Balance, beginning of year	\$143,180	\$133,945
Additional contributions received	28,014	27,820
Less amounts amortized to revenue	(20,702)	(18,585)
	\$150,492	\$143,180

(c) Total deferred contributions

	2006	2005
Expenses of future periods	\$40,879	\$35,829
Capital assets	150,492	143,180
	\$ 191,371	\$179,009

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

5. Long term debt

	2006	2005
CMHC mortgage, 5.875% interest, repayable in 50 equal, blended payments of \$29,095 semi-annually, maturing in June 2019, secured	\$510	\$537
Capital leases negotiated through the Royal Bank, interest rates vary, payable in equal annual installments, secured by assets under lease	942	2,362
RBC Royal Bank, fixed term loan, 5.19% interest, repayable in 9 equal annual, blended payments of \$121,580, maturing in April 2012, unsecured	699	779
	\$2,151	\$3,678
Less Short Term Portion	1,311	2,272
	\$840	\$1,406

Annual repayments of long term debt over the next five years are as follows:

⇒ 2007	\$1,311
⇒ 2008	\$ 374
⇒ 2009	\$ 32
⇒ 2010	\$ 34
⇒ 2011	\$ 36

6. Bank indebtedness

Pursuant to Section 41 of the Memorial University Act, the University has received approval from the Lieutenant-Governor in Council to borrow to finance two capital projects. The projects involve the development of a training facility on the Southside for the Marine Institute and the construction of a new residence complex for Sir Wilfred Grenfell College. Currently the Sir Wilfred Grenfell College Residence debt has been negotiated using bankers' acceptances which mature during 2006. Management expects to refinance this loan through bankers' acceptance for the balance of the term of the loan. The Southside Facility debt was repaid in full in 2006.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

7. Financial instruments

The carrying values of accounts receivable, mortgage receivable, accounts payable, accrued liabilities, short term debt and long term debt approximate their market value due to the relatively short periods to maturity of the instruments.

Long term investments are recorded at cost. The carrying amounts and fair values of investments are summarized as follows:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed Income	\$23,405	\$24,278	\$22,565	\$22,966
Equities	25,294	29,695	24,571	27,940
	\$48,699	\$53,973	\$47,136	\$50,906

Cash in the amount of \$3 million is being carried in the pooled investment fund but for financial statements presentation, it is classified as cash and cash equivalents. Fair values are considered to approximate market values.

Details of significant terms and considerations, exposures to interest rate and credit risks on investments are as follows:

- (i) The quality of fixed income securities is supported by federal, provincial and municipal government guarantees or high quality corporate bonds. No significant weightings exist within the corporate bond category that would pose any material credit rate risk to the University.
- (ii) Interest rates on fixed income securities range from 3.9% to 7.4% with maturities ranging from 2006 to 2017.
- (iii) The income earned on the securities is used to pay scholarships and fund endowed chairs. Expenditure levels on these activities are determined based on the performance of the investments.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

8. Memorial University Act

In accordance with the Memorial University Act, the University is normally prohibited from recording a deficit on their financial statements. During 1996, pursuant to Section 36 of the *Memorial University Act*, the University received approval from the Lieutenant-Governor in Council to record a deficit of up to \$5 million in 1996 and an additional \$10 million in 1997 as a result of the recognition of the liabilities related to Voluntary Early Retirement Plans for faculty and staff. During 2001, the University received approval from the Lieutenant-Governor in Council to exclude from the definition of a deficit, pursuant to Section 36 of the *Memorial University Act*, any amounts resulting from the recognition of the liabilities related to recording vacation pay entitlements, severance and any other post employment benefits.

9. Contingencies

(a) Reciprocal exchange of insurance risks

The University, in association with fifty-six Canadian universities, participates in a reciprocal exchange (CURIE) of insurance risks. The self-insurance cooperative involves a contractual agreement to share the insurance property and liability risks of member universities for a term of not less than five years.

The projected cost of claims will be funded through members' premiums based on actuarial projections. As of December 31, 2005, CURIE has a surplus of \$11.2 million, of which the University's prorata share is approximately 3% on an ongoing basis. In addition, the reciprocal has obtained \$645 million re-insurance with commercial insurers to cover major property claims in excess of \$5 million per occurrence.

In respect of general liability, the limit is \$10 million per occurrence. Re-insurance for liability coverage in the amount of \$10 million in excess of a \$10 million per occurrence retention is in place.

In the event that premiums are not sufficient to cover claims settlements, the member universities would be subject to an assessment in proportion to their participation.

(b) Guarantee of loan for The Memorial University of Newfoundland Students' Union

In 1994, the Board of Regents, with the authorization of the Province of Newfoundland and Labrador, guaranteed a loan in the amount of \$1.2 million for the Memorial University of Newfoundland Students' Union. The current balance outstanding on the loan is \$1.2 million.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

10. Net assets

The University has total restricted net assets for endowment purposes as follows:

	2006	2005
Restricted Assets subject to externally imposed restrictions requiring the principal to be maintained	\$43,898	\$39,761
Restricted assets subject to externally imposed restrictions requiring the principal be loaned to students	1,268	1,238
General University Endowment Fund is an internally restricted endowment	7,948	7,621
	\$53,114	\$48,620

Investment income on the various funds is restricted as stipulated in the terms and conditions of the individual funds. Investment income on the internally restricted fund and any other unrestricted funds is recorded in the Statement of Operations.

The University has unrestricted operating net assets calculated as follows:

	2006	2005
Total net assets	(\$12,251)	(\$18,544)
Less:		
Net assets restricted for endowment purposes	53,114	48,620
Net assets invested in capital assets	(1,638)	(1,819)
Net assets internally restricted for specific purposes	3,443	3,069
Net assets invested in separately incorporated entities	7,250	6,938
Net assets invested in future employee benefits	(80,089)	(74,785)
Net assets invested in accrued vacation benefits	(8,668)	(8,906)
Unrestricted operating net assets	\$14,331	\$8,339

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

11. Opportunity fund

On March 25, 1997, the University launched a fund raising campaign with a goal to raise a combined total of \$50 million. The five-year campaign has raised \$28 million in private sector pledges to date and the Government of Newfoundland and Labrador has agreed to match donor contributions on a dollar-for-dollar basis up to \$28 million. As at March 31, 2006, the Government has contributed \$27.9 million toward their matching contributions. The balance of uncollected pledges and matching funds has not been reflected in the financial accounts of the University.

12. Employee Future Benefits

The University has a number of defined benefit and defined contribution plans providing group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses. In addition, the University pays a severance payment, to certain employee groups, upon termination, retirement or death, provided they meet certain eligibility criteria.

In May 1996, the Board of Regents approved a Supplemental Retirement Income Plan to provide benefits to employees of the University whose salaries exceed the Canada Revenue Agency maximum pensionable salary and whose defined benefit pension, therefore, exceeds the maximum benefit payable from the Plan.

In February and May 1996, the University offered faculty and staff, who reached the age 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Plan.

Subject to eligibility criteria, the Plan provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment. The early retirement incentive is being funded from operations.

The significant actuarial assumptions used in measuring the University's accrued benefit obligation under each plan are as follows:

Future employee benefits

Include a discount rate of 5.2% and an average rate of compensation increase of 4.5%.

Supplemental retirement income plan (SRIP)

Include a discount rate of 7% and an average compensation increase of 4.5%.

Voluntary early retirement income plan (VERIP)

Include a discount rate of 8%.

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

12. Employee Future Benefits (cont'd)

	SRIP		VERIP		Other benefits	
	2006	2005	2006	2005	2006	2005
Accrued Benefit Obligation						
Balance, beginning of year	\$4,051	\$3,966	\$5,893	\$6,001	\$64,841	\$61,644
Current service cost	172	182	-	-	3,112	2,434
Interest cost	284	278	471	456	4,061	3,741
Benefits paid	(163)	(133)	(598)	(600)	(2,498)	(2,973)
Actuarial (gain) loss	(653)	(242)	(40)	36	1,156	(5)
	\$3,691	\$4,051	\$5,726	\$5,893	\$70,672	\$64,841
Current Plan Expense						
Current service expense	\$172	\$182	\$ -	\$ -	\$3,112	\$2,434
Interest cost	284	278	471	456	4,061	3,741
Actuarial (Gain) loss	(653)	(242)	(40)	36	1,156	(5)
	\$(197)	\$218	\$431	\$492	\$8,329	\$6,170

A summary of these accrued benefit obligations are as follows:

	2006	2005
Future employee benefits	\$70,672	\$64,841
Supplemental retirement income plan	3,691	4,051
Voluntary early retirement income plan	5,726	5,893
Accrued Vacation	8,668	8,906
Sub Total	\$88,757	\$83,691
Less current portion	9,390	9,672
Long term benefit obligation	\$79,367	\$74,019

Memorial University of Newfoundland
Notes to Consolidated Financial Statements

Year ended March 31, 2006
(thousands of dollars)

13. Subsequent events

(a) Agreement with Memorial University of Newfoundland Student Union

On April 28, 2006, the University signed a lease agreement with Memorial University of Newfoundland's Student Union (MUNSU), under which the university will take ownership and control of MUNSU's daycare center, as well as restaurants, vending machines and bank machines in the University Center. The University will also assume the debt related to these areas. The University expects it will assume responsibility for operating these facilities on July 31, 2006.

(b) Western Sports and Entertainment Incorporated

On March 23, 2006 the University signed an agreement to take over the lease of the Pepsi Center in Corner Brook, Newfoundland, effective May 1, 2006. A separately incorporated entity has been established to operate the facility.

14. Comparative figures

Certain of the 2005 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2006.

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
PENSION PLAN**

MARCH 31, 2006

Auditors' Report

To the Board of Regents of
Memorial University of Newfoundland

We have audited the statement of net assets available for benefits of the Pension Plan of Memorial University of Newfoundland as at March 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Pension Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Pension Plan as at March 31, 2006 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
August 25, 2006.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Statement of Net Assets Available for Benefits

As at March 31, 2006 with comparative figures for 2005

(in thousands of dollars)

	2006	2005
	\$	\$
Assets		
Investments (note 3):		
Bonds and debentures	290,957	261,622
Equities	368,955	318,033
	<u>659,912</u>	<u>579,655</u>
Receivables:		
Contributions receivable	255	419
Accrued interest and dividends	2,092	1,912
Amounts due from pending trades	1,860	3,056
Due from Memorial University of Newfoundland	1,237	1,671
	<u>5,444</u>	<u>7,058</u>
Total Assets	<u>665,356</u>	<u>586,713</u>
Liabilities		
Accounts payable and accrued expenses	658	442
Accrued pension refunds	421	414
Amounts payable from pending trades	4,783	1,873
	<u>5,862</u>	<u>2,729</u>
Total Liabilities	<u>5,862</u>	<u>2,729</u>
Net Assets Available for Benefits	<u>659,494</u>	<u>583,984</u>

On behalf of the
Board:

 
Chair of the Board of Regents Chair of the Finance Committee

(see accompanying notes to financial statements)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

For the year ended March 31, 2006 with comparative figures for 2005

(in thousands of dollars)

	2006	2005
	\$	\$
Increase in Assets		
Investment income:		
Interest income	6,413	5,522
Dividend income	6,969	4,703
Gain on sale of investments	16,334	20,909
	<u>29,716</u>	<u>31,134</u>
Current period increase in fair value of investments	<u>43,088</u>	<u>16,619</u>
Contributions (note 5):		
Employees'	13,208	11,745
Employer's	20,241	11,743
Past service contributions and transferred service	662	833
	<u>34,111</u>	<u>24,321</u>
Total Increase in Assets	<u>106,915</u>	<u>72,074</u>
Decrease in Assets		
Administrative expenses	2,170	1,940
Benefits paid	26,984	24,095
Refunds of contributions	2,251	2,083
Total Decrease in Assets	<u>31,405</u>	<u>28,118</u>
Increase In Net Assets	<u>75,510</u>	<u>43,956</u>
Net Assets Available for Benefits, Beginning of Year	<u>583,984</u>	<u>540,028</u>
Net Assets Available for Benefits, End of Year	<u>659,494</u>	<u>583,984</u>

(see accompanying notes to financial statements)

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

These financial statements follow the guidelines established by the Canadian Institute of Chartered Accountants (CICA) for pension plans.

1. Description of Plan

The following description of the Memorial University of Newfoundland Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Memorial University Pensions Act*.

(a) General

The Plan is a contributory defined-benefit pension plan covering eligible employees of Memorial University of Newfoundland (the University) in accordance with the *Memorial University Pensions Act*.

Where differences exist between the provisions of the *Memorial University Pensions Act* and the *Newfoundland Pensions Benefits Act, 1997* (the PBA), the minimum standards prescribed by the PBA will prevail unless the Plan provisions exceed these standards.

(b) Funding Policy

The Plan is subject to the funding provisions of section 35 of the PBA and section 12 of the PBA Regulations which require that the employer contribute an amount equal to the normal actuarial cost allocated to the employer in the most recent actuarial valuation. In addition, where the Plan experiences a solvency deficiency, the employer is required to contribute an amount sufficient to liquidate the solvency deficiency within 5 years of the solvency valuation date. Likewise, going concern unfunded liabilities are required to be liquidated by the employer over a period not exceeding 15 years.

(c) Provincial Guarantee

The Plan is being underwritten by the Province of Newfoundland. Section 6 of the *Memorial University Pensions Act* states:

All pensions, payments, and refunds and all expenses of the administration of this Act are a charge upon and payable out of the fund and if at any time there is not sufficient money at the credit of the fund for those purposes as they fall due for payment the Minister of Finance shall pay into the fund an amount to cover the deficiency.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

1. Description of Plan (cont'd.)

(d) Service Pensions

A service pension is available based on the number of years of service times two percent of the best five-year average pensionable salary. Pensions are indexed, from age 65, at the rate of 60% of the annual change in the Consumer Price Index, as measured by Statistics Canada, to a maximum annual increase of 1.2%.

(e) Survivors' Pensions

A survivor pension is paid to a surviving principal beneficiary or dependent child, as defined in the *Memorial University Pensions Act*, of a member who has a minimum of two years credited service.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is paid.

(g) Refunds

Upon application and subject to locking-in provisions, a terminated employee may withdraw their contributions and accumulated interest.

(h) Income Taxes

The Plan is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

2. Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Basis of Presentation

These financial statements are prepared on the going concern basis and present the information of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(c) Investments

Investments are stated at fair value and transactions are recorded as of the trade date. In determining fair value, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments, at the beginning and end of each fiscal year, is reflected in the statement of changes in net assets available for benefits as current period increase/decrease in fair value of investments.

Fair value of investments is determined as follows:

Bonds, debentures and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair value is calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which, together with accrued interest income, approximates fair value given the short-term nature of these instruments.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

2. Significant Accounting Policies (cont'd.)

(c) Investments (cont'd.)

Guaranteed investment certificates and term deposits maturing after a year are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality, and maturity.

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represents the Plan's proportionate share of underlying net assets at fair value determined using closing market prices.

(d) Gain on Sale of Investments

The realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(e) Investment Income

Investment income, which is recorded on the accrual basis, includes interest income and dividends.

(f) Foreign Currency Translation

The fair value of foreign currency denominated investments, included in the statement of net assets available for benefits, is translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the current period increase/decrease in fair value of investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3(b) to the financial statements, are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

3. Investments

- (a) The following table summarizes the fair value of investments as at March 31st by the earlier of contractual re-pricing or maturity dates, as well as average effective yields by class of investment.

(in thousands of dollars)

	2006					2005		Average Effective Yield (%)	Average Effective Yield (%)
	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	No Specific Maturity	Total	Total		
Cash and short-term investments	28,464					28,464	15,731	3.61	2.46
Canadian bonds and debentures	-	46,271	38,016	45,859	132,346	262,482	245,891	4.50	4.21
						290,956	261,622		
Canadian equities:									
Common stock						188,712	168,630		
Pooled funds						6,711	5,474		
Foreign equities:									
Common stock						113,474	96,156		
Pooled funds						60,058	47,773		
						368,955	318,033		
	28,464	46,271	38,016	45,859	132,346	659,911	579,655		

The average effective yield reflects the result obtained by dividing estimated annual income from a security (based on its coupon or interest rate) into its fair value as at March 31st.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

3. Investments

- (a) The following table summarizes the fair value of investments as at March 31st by the earlier of contractual re-pricing or maturity dates, as well as average effective yields by class of investment.

(in thousands of dollars)

	2006 \$					2005 \$			
	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	No Specific Maturity	Total	Average Effective Yield (%)	Total	Average Effective Yield (%)
Cash and short-term investments	28,464					28,464	3.61	15,731	2.46
Canadian bonds and debentures	-	46,271	38,016	45,859	132,346	<u>262,492</u> 250,956	4.50	<u>245,891</u> 251,622	4.21
Canadian equities: Common stock						188,712		168,630	
Pooled funds						6,711		5,474	
Foreign equities: Common stock						113,474		96,156	
Pooled funds						<u>60,058</u> 368,955		<u>47,773</u> 318,033	
	28,464	46,271	38,016	45,859	132,346	650,911		579,655	

The average effective yield reflects the result obtained by dividing estimated annual income from a security (based on its coupon or interest rate) into its fair value as at March 31st.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

3. Investments (cont'd.)

(b) The following table summarizes investments at cost:

(in thousands of dollars)

	2006	2005
	\$	\$
Cash and short-term investments	29,523	17,799
Bonds and debentures:		
Federal	56,787	53,856
Provincial	29,944	24,119
Corporate	40,577	37,261
Pooled funds	133,089	122,668
	260,397	237,904
Canadian equities:		
Common stock	110,024	114,874
Pooled funds	5,492	4,613
	115,516	119,487
Foreign equities:		
Common stock	108,356	96,552
Pooled funds	50,522	48,604
	158,878	145,156
	564,314	520,346

- (c) Realized losses arising from foreign currency translation amounted to \$6,800,489 for the year ended March 31, 2006 (March 31, 2005 - \$7,570,998). For financial statement presentation purposes, these amounts have been netted against interest income.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method pro-rated on service and the administrator's best estimate assumptions. Eckler Partners Ltd., a firm of consulting actuaries, performed an actuarial valuation as at March 31, 2006.

The actuarial present value of benefits as at March 31, 2006 and the principal components of change in actuarial present value during the year were as follows:

(in thousands of dollars)

	2006	2005
	\$	\$
Actuarial present value of accrued pension benefits at beginning of the year	695,144	589,678
Cost of implementing indexing provision	-	51,363
Experience losses (gains)	(12,332)	12,704
Changes in actuarial assumptions/methodology	-	2,298
Interest accrued on benefits	48,515	41,203
Benefits accrued	25,102	24,076
Benefits paid	(29,235)	(26,178)
Actuarial present value of accrued pension benefits at end of the year	<u>727,194</u>	<u>695,144</u>

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

Asset Rate of Return

7% Pre- and Post-retirement

Salary Escalation Rate

4.5% per annum

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

4. Obligations for Pension Benefits (cont'd.)

The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends (consistent with assumptions underlying the valuation of the accrued pension benefits). The fair value is the underlying basis and incorporates an investment reserve calculated as the unamortized difference between expected and actual investment returns over a period of 3 years.

The actuarial asset values used in both the 2006 and 2005 valuations were as follows:

(in thousands of dollars)		
	2006	2005
	\$	\$
Net assets available for benefits	659,494	583,984
Fair value changes not reflected in actuarial value of net assets	(23,644)	(23,533)
Actuarial value of net assets available for benefits	<u>635,850</u>	<u>560,451</u>

5. Funding Policy

Pursuant to the *Memorial University Pensions Act*, employees are required to contribute to the Plan in accordance with the following schedule:

- 9.20% of pensionable earnings up to the Year's Basic Exemption (YBE) under the Canada Pension Plan;
- 7.40% of pensionable earnings above the YBE up to and including the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan;
- 9.20% of pensionable earnings above the YMPE.

The University is required to contribute an amount equal to the contributions paid by employees and any additional amounts required to be paid by an employer under the PBA. In addition to its matching contributions, the University deposited a special payment of \$6,745,000 into the Plan during the year. This was the first of a series of annual payments required to liquidate the unfunded liability identified in the March 31, 2005 actuarial valuation of the plan.

MEMORIAL UNIVERSITY OF NEWFOUNDLAND PENSION PLAN

Notes to the Financial Statements

For the year ended March 31, 2006

5. Funding Policy (cont'd)

The most recent actuarial valuation for funding purposes was prepared by Eckler Partners Ltd. as at March 31, 2006. This valuation revealed a going concern unfunded liability of \$91,344,000 as at March 31, 2006, based on current Plan provisions and PBA requirements. Of this amount, approximately \$51,445,000 relates to the past service costs of indexing, introduced under the Plan, effective July 1, 2004. A financing arrangement was implemented coincident with the introduction of indexing to liquidate this unfunded liability over a period of 40 years. At March 31, 2006, approximately 38.25 years are remaining in the amortization schedule. Due to the nature of the amortization method, which is based upon 1.2% of annual pensionable payroll, and the impact of valuation assumptions, it is not unexpected that the unamortized balance could increase during the first few years that the payment schedule is in place. The balance of the unfunded liability, namely, \$39,899,000 must be liquidated by the University in accordance with note 1(b).

In addition, Eckler Partners Ltd. prepared a solvency valuation, at March 31, 2006, which disclosed a solvency deficiency of \$137,392,000 based upon PBA requirements. The Memorial University Pension Plan is exempt from the solvency funding provisions of the PBA for the period January 1, 2006 to December 31, 2010.


6. Contingencies

At March 31, 2006, 78 employees who had terminated their membership in the Plan, with employee contributions and accrued interest totaling \$293,116 had not indicated to the Department of Human Resources their intentions regarding the disposition of their pension. The financial statements have reflected this liability; however, should these employees be eligible to transfer their pensionable service, the actual liability to the Plan could increase to approximately twice this amount.

7. Financial Instruments

The fair value of investments is as described in note 2(c). The fair value of other financial assets and liabilities, being: contributions receivable; accrued interest and dividends; due from Memorial University of Newfoundland; accounts payable and accrued expenses; and accrued pension refunds, approximates their carrying value due to the short-term nature of these instruments. The fair value of amounts due from pending trades and amounts payable from pending trades is represented by the fair value of the underlying securities.

Multi-Materials Stewardship Board
Consolidated Financial Statements
March 31, 2006

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Directors of the
Multi-Materials Stewardship Board

We have audited the consolidated statement of financial position of the **Multi-Materials Stewardship Board** at March 31, 2006, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Board as at March 31, 2006, and the consolidated results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador
June 1, 2006

Grant Thornton LLP
Chartered Accountants

187 Kenmount Road
St. John's
Newfoundland and Labrador
A1B 3P9
T (709) 722-5150
F (709) 722-7892
E StJohns@GrantThornton.ca
W www.GrantThornton.ca


Canadian Member of Grant Thornton International

Multi-Materials Stewardship Board

Consolidated Statement of Operations

Year Ended March 31	2006	2005
Revenue		
Gross revenue from deposits	\$17,491,352	\$16,714,651
By-product revenue	2,231,464	1,943,612
Residential Backyard Composting Program	186,427	-
Household Hazardous Waste Program	56,092	-
Grant Revenue, Environment Canada	55,000	-
	<u>20,020,335</u>	<u>18,658,263</u>
Cost of sales (Note 8)	<u>15,841,715</u>	<u>14,148,197</u>
Gross margin	4,178,620	4,510,066
Miscellaneous income	<u>369,862</u>	<u>346,407</u>
Income before expenses	<u>4,548,482</u>	<u>4,856,473</u>
Expenses		
Administrative (Page 10)	2,294,574	2,085,429
Grant disbursements	<u>1,663,928</u>	<u>1,205,745</u>
	<u>3,958,502</u>	<u>3,291,174</u>
Excess of revenue over expenses	<u>\$ 589,980</u>	<u>\$ 1,565,299</u>


See accompanying notes to the consolidated financial statements.

Grant Thornton 

Multi-Materials Stewardship Board **Consolidated Statement of Changes in** **Net Assets**

Year Ended March 31	2006		2005	
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Net assets, beginning of year	\$ 356,176	\$14,580,480	\$14,936,656	\$13,371,357
Adjustment for opening net assets of the Household Hazardous Waste Program	-	10,881	10,881	-
Excess of revenue over expenses (expenses over revenue)	(117,625)	707,605	589,980	1,565,299
Investments in capital assets	<u>205,405</u>	<u>(205,405)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 443,956</u>	<u>\$15,093,561</u>	<u>\$15,537,517</u>	<u>\$14,936,656</u>

See accompanying notes to the consolidated financial statements.

Grant Thornton 

Multi-Materials Stewardship Board

Consolidated Statement of Financial Position

March 31	2006	2005
Assets		
Current		
Cash and cash equivalents	\$15,338,743	\$14,827,328
Short term investments	421,029	408,646
Receivables (Note 4)	2,242,042	1,672,493
Inventories	226,726	70,355
Prepays	57,382	55,132
	<u>18,285,922</u>	<u>17,033,954</u>
Note receivable	60,000	-
Property and equipment (Note 5)	<u>443,956</u>	<u>356,176</u>
	<u>\$18,789,878</u>	<u>\$17,390,130</u>
Liabilities		
Current		
Payables and accruals	\$ 709,755	\$ 439,831
Grants payable	563,809	174,650
Unearned revenue (Note 3(i))	<u>1,557,768</u>	<u>1,433,328</u>
	2,831,332	2,047,809
Performance bonds payable	<u>421,029</u>	<u>405,665</u>
	<u>3,252,361</u>	<u>2,453,474</u>
Net Assets		
Net assets invested in capital assets	443,956	356,176
Unrestricted net assets	<u>15,093,561</u>	<u>14,580,480</u>
	<u>15,537,517</u>	<u>14,936,656</u>
	<u>\$18,789,878</u>	<u>\$17,390,130</u>

Commitments (Note 7)

On behalf of the Board

 Chairperson  Director

See accompanying notes to the consolidated financial statements.

Grant Thornton 

Multi-Materials Stewardship Board

Consolidated Statement of Cash Flows

Year Ended March 31


2006

2005

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 589,980	\$ 1,565,299
Depreciation	<u>117,625</u>	<u>130,530</u>
	707,605	1,695,829
Change in non-cash operating working capital (Note 6)	<u>42,970</u>	<u>240,162</u>
	<u>750,575</u>	<u>1,935,991</u>
Financing		
Increase (decrease) in performance bonds payable	15,364	(67,224)
Adjustment for opening net assets of the Household Hazardous Waste Program	<u>10,881</u>	<u>-</u>
	<u>26,245</u>	<u>(67,224)</u>
Investing		
Purchase of property and equipment	(205,405)	(55,814)
Increase in note receivable	<u>(60,000)</u>	<u>-</u>
	<u>(265,405)</u>	<u>(55,814)</u>
Net increase in cash and cash equivalents	511,415	1,812,953
Cash and cash equivalents		
Beginning of year	<u>14,827,328</u>	<u>13,014,375</u>
End of year	<u>\$15,338,743</u>	<u>\$14,827,328</u>

See accompanying notes to the consolidated financial statements.

Grant Thornton 

Multi-Materials Stewardship Board

Notes to the Consolidated Financial Statements

March 31, 2006

1. Nature of operations

The Multi-Materials Stewardship Board is a statutory corporation established pursuant to The Environmental Protection Act. This Board manages the Used Beverage Container Deposit Refund System, the Used Tire Recycling Program, the Residential Backyard Composting Program, and the Newfoundland and Labrador Waste Management Trust Fund in the Province of Newfoundland and Labrador and is mandated to support and promote the protection, enhancement and wise use of the environment through waste management programs.

The corporation is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

2. Basis of consolidation

These consolidated financial statements include the accounts of the Multi-Materials Stewardship Board, the Residential Backyard Composting Program, and the Multi-Materials Stewardship Board Waste Management Trust Fund.

The Multi-Materials Stewardship Board-Newfoundland and Labrador Waste Management Trust Fund is a restricted fund, managed by the Board, and its accounts have been grouped in these financial statements for consolidated purposes. Effective April 1, 2005, the accounts of the Household Hazardous Waste Program were combined with the accounts of the Newfoundland and Labrador Waste Management Trust Fund. Separate audited financial statements have been issued for this restricted fund, with an audit report date of June 1, 2006.

The accounts of the Residential Backyard Composting Program have also been grouped in these financial statements for consolidated purposes. Separate audited financial statements have also been issued for this Program with an audit report date of June 1, 2006.

3. Summary of significant accounting policies


(a) Fund accounting

Fund accounting is generally accepted as the basis of accounting for public sector organizations. A summary of significant accounting policies relating to fund accounting is as follows:

- i) property and equipment are recorded at cost;
- ii) capital additions financed from the unrestricted funds are included in the net assets invested in capital assets account; and
- iii) depreciation of property and equipment is included in the net assets invested in capital assets account.

(b) Use of estimates

In preparing the Board's consolidated financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Grant Thornton 

Multi-Materials Stewardship Board

Notes to the Consolidated Financial Statements

March 31, 2006

3. Summary of significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of one year or less.

(d) Short term investments

Short term investments are restricted to repay performance bonds at the end of the contracts if all conditions have been met by the parties involved.

(e) Revenue recognition

Deposit revenue is recognized when remittances are collected plus an estimated accrual based on subsequent receipts.

By product revenue is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Miscellaneous income including interest income is recognized as earned.

Grant revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until the future period when related costs have been incurred.

Revenue from the sale of compost bins is recognized when the bins are sold by the depots or to municipalities.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value.


(g) Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Leasehold improvements	20%, straight line
Office furniture and equipment	20%, declining balance
Tire equipment	20%, declining balance
Computer hardware	30%, declining balance
Computer software	30%, declining balance
Bags and tubs	30%, declining balance
Vehicle	30%, declining balance

(h) Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Grant Thornton 

Multi-Materials Stewardship Board

Notes to the Consolidated Financial Statements

March 31, 2006

3. Summary of significant accounting policies (cont'd.)


(i) Unearned revenue

Unearned revenue consists of deposits on containers yet to be returned for redemption and recycling. The amount recorded by the Board as unearned revenue consists of sixty days of deposits received from distributors, adjusted by an estimated recovery rate of 68% (March 31, 2005 – 67%).

4. Receivables	2006	2005
Deposits	\$ 2,038,740	\$ 1,638,276
Trade and other	<u>203,302</u>	<u>34,217</u>
	<u>\$ 2,242,042</u>	<u>\$ 1,672,493</u>

5. Property and equipment		2006	2005
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 26,160	\$ 26,160	\$ 12,489
Office furniture and equipment	78,580	42,746	\$ 35,834
Tire Equipment	150,000	10,922	139,078
Computer hardware	227,740	157,546	70,194
Computer software	203,482	114,990	88,492
Bags and tubs	263,758	160,816	102,942
Vehicle	<u>24,093</u>	<u>16,677</u>	<u>7,416</u>
	<u>\$ 973,813</u>	<u>\$ 529,857</u>	<u>\$ 443,956</u>
			<u>\$ 356,176</u>

6. Supplemental cash flow information	2006	2005
Charge in non-cash operating working capital		
Short term investments	\$ (12,383)	\$ 150,693
Receivables	(569,549)	(102,300)
Inventories	(156,371)	90,515
Prepays	(2,250)	(14,388)
Payables and accruals	269,924	(112,582)
Grants payable	389,159	20
Unearned revenue	<u>124,440</u>	<u>228,204</u>
	<u>\$ 42,970</u>	<u>\$ 240,162</u>

Grant Thornton 

Multi-Materials Stewardship Board

Notes to the Consolidated Financial Statements

March 31, 2006

7. Commitments

The Board is committed to minimum annual lease payments for equipment for the next two years of: 2007 - \$5,467 and 2008 - \$399.

The Board has entered into an agreement for processing and transportation of beverage containers to March 2009. The Board has also entered into an agreement for the collection and transportation of used tires in the Province of Newfoundland and Labrador to February, 2010.

8. Cost of sales

In June 2004, the Board terminated its contract under the Used Tire Recycling Program with its previous contractor. Subsequent to this termination, the Board assumed responsibility for the Program and implemented a contingency plan for the collection and storage of used tires. Included in the cost of sales is \$587,485 (2005 - \$1,311,532) for labour, storage, transportation and disposal costs of the used tires under the responsibility of the Board. The costs will be incurred until the Board is able to make arrangements with another contractor under the Used Tire Recycling Program.

9. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ materially from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Multi-Materials Stewardship Board **Consolidated Schedule of Administrative** **Expenses**

Year Ended March 31	2006	2005
Advertising	\$ 152,412	\$ 8,307
Depreciation	117,625	130,530
Directors' remuneration	22,425	19,540
Dues, licenses and education	13,326	16,067
Equipment rental	5,976	9,075
Insurance	12,030	8,990
Interest and bank charges	10,960	7,143
Marketing and communications	674,618	565,425
Meetings and entertainment	3,300	2,496
Miscellaneous	7,446	7,022
Professional fees	110,994	64,104
Rent	81,829	82,861
Repairs and maintenance	-	28,531
Rocaps supplies	35,586	35,476
Stationery and office supplies	31,856	34,112
Telecommunications	22,124	23,450
Travel – board and staff	82,583	67,868
Vehicle operating	20,158	11,096
Wages and benefits	889,326	963,336
	<u>\$ 2,294,574</u>	<u>\$ 2,085,429</u>

**MUNICIPAL ASSESSMENT
AGENCY INC.**

FINANCIAL STATEMENTS
Year ended March 31, 2006

JOHN F. MORGAN

Chartered Accountant
Suite 901, TD Place, 140 Water Street
St. John's, NF A1C 6H6
Office: (709) 576-6776
Fax: (709) 576-6777

AUDITORS' REPORT

To the Shareholder of
Municipal Assessment Agency Inc.

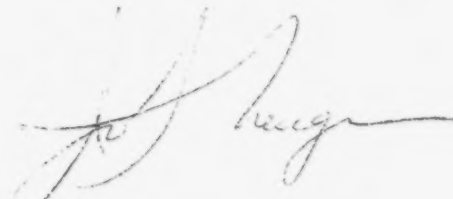
We have audited the balance sheet of Municipal Assessment Agency Inc. as at March 31, 2006 and the statements of revenue, expenses and equity and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
May 12, 2006



CHARTERED ACCOUNTANT

MUNICIPAL ASSESSMENT AGENCY INC.

BALANCE SHEET

AS AT MARCH 31, 2006

ASSETS		2006	2005
CURRENT			
Cash		\$ 1,250,788	\$ 722,545
Accounts receivable (note 2)		170,084	147,335
Prepaid expenses		44,528	49,635
		1,465,400	919,515
Long-term receivables (note 3)		-	3,626
Severance reserve fund (note 4)		692,947	670,817
Capital assets (note 5)		351,443	341,316
		\$ 2,509,790	\$ 1,935,274

LIABILITIES AND SHAREHOLDER'S EQUITY

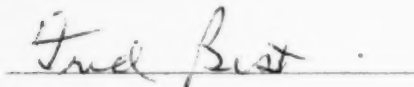
CURRENT			
Accounts payable and accrued liabilities		\$ 201,899	\$ 92,939
Accrued vacation pay (note 6)		157,656	149,498
		359,555	242,437
Accrued severance pay (note 6)		692,947	670,817
Deferred contributions - capital (note 7)		55,902	78,264
		1,108,404	991,518

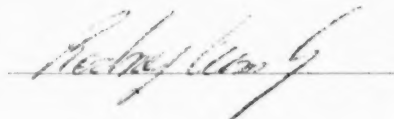
SHAREHOLDER'S EQUITY

Capital			
Authorized and issued			
1 Common share		1	1
Equity from operations		1,401,385	943,755
		1,401,386	943,756
		\$ 2,509,790	\$ 1,935,274

Commitments and contingencies (note 6)

On behalf of the board:





MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF REVENUES, EXPENSES AND EQUITY

FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
REVENUES:		
Assessment services	\$4,601,468	\$4,122,510
Valuation revenue	9,880	-
Interest revenue	44,249	43,295
	4,655,597	4,165,805
EXPENSES:		
Salaries	2,487,991	2,353,700
Benefits	536,341	511,906
Travel	281,558	232,691
Information technology	202,122	217,989
Premises and equipment lease	179,590	180,172
Postage and courier	130,651	101,077
Telephone	73,360	65,904
Professional fees	59,499	48,380
Printing	45,893	51,476
Office supplies	36,843	37,376
Advertising and public relations	20,786	21,256
Insurance	12,312	17,388
Payroll processing	4,289	4,162
Bank charges	2,296	720
Bad debt expense (recovery)	(19,826)	69,690
	4,053,705	3,913,887
Excess of expenses over revenues before the following	601,892	251,918
Provision for severance and vacation pay (note 6)	55,254	62,434
Amortization of deferred contributions - capital (note 7)	(22,362)	(31,305)
Amortization of capital assets	111,370	121,132
Excess of revenues over expenses (expenses over revenues)	457,630	99,657
Equity from operations, beginning of year	943,755	844,098
Equity from operations, end of year	\$ 1,401,385	\$ 943,755

See Accompanying Notes to Financial Statements

MUNICIPAL ASSESSMENT AGENCY INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
Operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ 457,630	\$ 99,657
Items not affecting cash:		
Amortization of capital assets	111,370	121,132
Amortization of deferred contributions	(22,362)	(31,305)
Increase in long-term receivable	3,626	16,219
Increase in severance pay accrual	22,130	25,986
Increase (decrease) in vacation pay accrual	8,158	(36,215)
Net change in non-cash working capital balance	91,379	(11,498)
Cash provided by operating activities	671,931	183,976
Investing activities:		
Purchase of capital assets	(121,558)	(65,735)
Increase (decrease) in cash position	550,373	118,241
Cash position, beginning of year	1,393,362	1,275,121
Cash position, end of year	\$1,943,735	\$1,393,362
Cash is represented by:		
Operating cash	\$1,250,788	\$ 722,545
Severance reserve fund	692,947	670,817
	\$1,943,735	\$1,393,362

See Accompanying Notes to Financial Statements

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

General:

Effective April 2, 1997, the Municipal Assessment Agency Inc. (the "Corporation") was incorporated under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal and Provincial Affairs, Government of Newfoundland and Labrador (the "Department").

The Corporation has one common share with a par value of \$1.00 issued to the Minister of Municipal and Provincial Affairs, Government of Newfoundland and Labrador.

The Corporation is a crown corporation and, accordingly, is exempt from income taxes under Subsection 149(1)(d) of the Income Tax Act.

1. Summary of significant accounting policies:

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which require the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

(a) Capital assets

Capital assets are purchased by the Corporation are recorded at cost. Amortization is recorded on a declining balance basis over the assets estimated useful lives at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Integrated assessment system	30%

The Corporation is currently using furniture, equipment and computers provided by the Department. As title to these assets have not been transferred to the Corporation, they have not been recorded in the accounts.

(b) Revenue recognition

Government assistance related to acquisition of capital assets is deferred and amortized to income on the same basis as the related capital assets are amortized.

Revenue for the provision of assessment and valuation services is recognized when the services are rendered.

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

1. Summary of significant accounting policies (continued):

(c) Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years and, accordingly, no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Corporation. The cash amount of the accrued severance pay is segregated into a severance reserve fund.

(d) Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

2. Accounts receivable:

	<u>2006</u>	<u>2005</u>
Trade receivables	\$ 278,148	\$ 252,129
Accrued interest	6,058	-
HST recoverable	39,340	50,106
Employee receivable	2,755	1,317
Allowance for doubtful accounts	<u>(156,217)</u>	<u>(156,217)</u>
	<u>\$ 170,084</u>	<u>\$ 147,335</u>

3. Long-term receivable

The Agency has entered into a contract with several of its customers to receive payment on the outstanding amounts over a period from two to four years, provided all future fees are paid on a current basis. As at March 31, 2006 there were no long-term receivables.

4. Severance reserve fund:

The Agency has internally restricted funds for the accrued severance pay liability, these funds are to be used to pay any accrued severance and not to be used in normal business operations. The restricted funds are held in the Agency's operating account that bears interest.

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

5. Capital assets:

		<u>2006</u>		<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware and software	\$ 445,888	\$ 292,191	\$ 153,697	\$ 101,306
Furniture and equipment	188,804	102,603	86,201	80,660
Integrated assessment system	<u>1,101,632</u>	<u>990,087</u>	<u>111,545</u>	<u>159,350</u>
	<u>\$ 1,736,324</u>	<u>\$ 1,384,881</u>	<u>\$ 351,443</u>	<u>\$ 341,316</u>

6. Severance and vacation pay:

As at the time of incorporation, the Corporation assumed liabilities for severance pay, vacation and accrued overtime associated with employees transferred to the Corporation resulting in an opening deficit in the amount of \$366,950. During fiscal 2001, an agreement was reached with the province to fund this liability by a payment of \$160,000, which represented the present value of the liability as calculated by management.

The provision for severance and vacation pay consists of the following:

Severance pay	<u>2006</u>	<u>2005</u>
Opening balance	\$ 670,817	\$ 644,831
Current year expense	47,097	54,370
Usage	<u>(24,967)</u>	<u>(28,384)</u>
Closing balance	<u>\$ 692,947</u>	<u>\$ 670,817</u>
 Vacation pay	 <u>2006</u>	 <u>2005</u>
Opening balance	\$ 149,498	\$ 185,713
Current year expense	8,158	8,065
Usage	<u>-</u>	<u>(44,280)</u>
Closing balance	<u>\$ 157,656</u>	<u>\$ 149,498</u>

MUNICIPAL ASSESSMENT AGENCY INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

7. Deferred Contributions - Capital:

The Corporation received Government funding in prior years that was deferred for future operating expenses and capital expenditures. During the year, the Corporation recognized the following deferred contributions.

	<u>2006</u>	<u>2005</u>
Opening balance	\$ 78,264	\$ 109,569
Capital contribution recognized	<u>22,362</u>	<u>31,305</u>
Closing balance	<u>\$ 55,902</u>	<u>\$ 78,264</u>

Switchfoot Lyrics

This is Your Life

yesterday is a wrinkle on your forehead
yesterday is a promise that you've broken
don't close your eyes, don't close your eyes
this is your life and today is all you've got now
yeah, and today is all you'll ever have
don't close your eyes
don't close your eyes

this is your life, are you who you want to be
this is your life, are you who you want to be
this is your life, is it everything
you dreamed that it would be
when the world was younger and you had everything to lose

yesterday is a kid in the corner
yesterday is dead and over
[Find more Lyrics on <http://mp3lyrics.org/h3D/>]

this is your life, are you who you want to be
this is your life, are you who you want to be
this is your life, is it everything
you dreamed that it would be
when the world was younger and you had everything to lose

don't close your eyes
don't close your eyes
don't close your eyes
don't close your eyes

this is your life are you who you want to be
this is your life are you who you want to be

this is your life, are you who you want to be
this is your life, are you who you want to be
this is your life, is it everything you dreamed it would be
when the world was younger and you had everything to lose

and you had everything to lose

More Switchfoot lyrics here www.mp3lyrics.org/h3D/

